

# Agenda

## Audit and Governance Committee

**Friday, 20 March 2015, 10.00 am**  
**County Hall, Worcester**

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# DISCLOSING INTERESTS

There are now 2 types of interests:  
**'Disclosable pecuniary interests'** and **'other disclosable interests'**

## WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3<sup>rd</sup> party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

**NB Your DPIs include the interests of your spouse/partner as well as you**

## WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
  - you must **not participate** and you **must withdraw**.

**NB It is a criminal offence to participate in matters in which you have a DPI**

## WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:  
You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

## WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

## DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests OR** relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

## DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
  - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

## **Audit and Governance Committee**

### **Friday, 20 March 2015, 10.00 am, County Hall, Worcester**

**Membership:** Mr W P Gretton (Chairman), Mrs S Askin, Mr S J M Clee,  
Mr N Desmond, Mr L C R Mallett (Vice Chairman), Mr R J Sutton and  
Mr P A Tuthill

### **Agenda**

<b>Item No</b>	<b>Subject</b>	<b>Page No</b>
1	<b>Named Substitutes</b>	
2	<b>Apologies/Declarations of Interest</b>	
3	<b>Public Participation</b> <i>Members of the public wishing to take part should notify the Head of Legal and Democratic Services in writing or by e-mail indicating the nature and content of their proposed participation no later than 9.00am on the working day before the meeting (in this case 19 March 2015). Further details are available on the Council's website. Enquiries can be made through the telephone number/e-mail address below.</i>	
4	<b>Confirmation of Minutes</b> To confirm the Minutes of the meeting held on 12 December 2014. (previously circulated – pink pages)	
5	<b>Use of Agency Workers</b>	1 - 2
6	<b>Retention and Disposal of Records</b>	3 - 6
7	<b>Sales, fees and charges</b>	7 - 16
8	<b>External Audit Plans</b>	17 - 52
9	<b>Internal Audit Progress Report 2014/15</b>	53 - 82
10	<b>Internal Audit Commissioning Update</b>	83 - 84
11	<b>Work programme</b>	85 - 86

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To obtain further information or a copy of this agenda contact Simon Lewis, Committee Officer on 01905 766621, slewis@worcestershire.gov.uk

All the above reports and supporting information can be accessed via the Council's website

Date of Issue: Wednesday, 11 March 2015

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**Audit and Governance Committee**  
**20 March 2015****5. USE OF AGENCY WORKERS****Recommendation**

- 1. The Head of Human Resources and Organisational Development recommends that the updated approval mechanisms to ensure appropriate governance arrangements are in place in the use of agency workers within the Council as set out in the report be noted.**

**Background Information**

2. The engagement of agency workers is managed via the Matrix System. This system was procured and the current contract for service is due to expire in November 2015 with an option to extend for two further years.
3. Matrix is a Managed Service Provider and it acts as a 'middle man' and manages the supply chain on the Council's behalf. Matrix is not an agency in its own right.
4. Prior to the contract for service being tendered, managers looking to engage agency workers contacted agencies directly. This resulted in a large volume of agencies being used with little or no control regarding the use and cost of agency workers and there were no standardised roles or pay rates.
5. The introduction of Matrix provides an on on-line end-to-end process of engagement of agency workers in order to achieve maximum cost savings and process efficiencies.
6. Following the publication of an audit report, the Head of Human Resources and Organisational Development has reviewed and updated the guidance ensuring that recruiting managers are fully aware of their responsibilities for both the process of engagement and managing agency workers on site.
7. The Head of Human Resources and Organisational Development has also strengthened the approval mechanisms for:
  - the setting up of users in the system,
  - seeking extensions to a placement and
  - requests for increasing pay rates.

All of which now require the approval of the appropriate Director or Head of Service.

8. There are 2 levels of Matrix Users:

Client Owner – authorises placements and approves any extensions to placements

Client Manager – approves agency worker timesheets

9. The Council normally expects the Client Owner and Client Manager to be two different people i.e. the line manager of the agency worker would be the Client Manager and expected to manage the agency worker on a day-to-day basis and approve weekly timesheets. The line manager's manager would be the Client Owner. It is accepted that there may be occasions where the Client Owner and Client Manager may be one and the same person. The Director or Head of Service would need to confirm the need for this in their approval when the user is initially set up.

10. As the Council works more in partnership with other organisations e.g. NHS and uses agency workers at all levels including senior positions it is accepted that not all users will be employees of the Council. However all users need to have a WCC email account to be able to use the system. The list of users will be updated quarterly to remove leavers. Please note that a leaver no longer has access to their work email account and therefore no order could be processed.

11. The Matrix system will only allow the user to initially book a placement for a maximum period of 12 weeks. Extensions beyond the original placement will require further approval from the Director or Head of Service.

## Contact Points

### Specific Contact Points

Elaine Chandler, Head of Human Resources and Organisational Development

Tel: 01905 766218

Email: [emccarthy2@worcestershire.gov.uk](mailto:emccarthy2@worcestershire.gov.uk)

Bridget Clark, HR Service Centre Manager

Tel: 01905 766215

Email: [bclark@worcestershire.gov.uk](mailto:bclark@worcestershire.gov.uk)

## List of Background Papers

In the opinion of the proper officer (in this case the Director of Commercial and Change) the following are the background papers relating to the subject matter of this report:

Agenda papers and Minutes for the Committee meeting on 12 December 2014

**Audit and Governance Committee**  
**20 March 2015****6. RETENTION AND DISPOSAL OF RECORDS****Recommendation**

1. **The Head of Community and Environment recommends that the work to date and the plan for review of the Retention and Disposal of Records be noted.**

**Background Information**

2. The Council have a Disposal Schedule, which was adopted as the principal source of information regarding the retention and disposal of records in all formats by the Chief Officers Management Board (COMB) in June 2001. The Disposal Schedule is available on SID, shown as an Appendix. Amendments, additions and deletions to the Disposal Schedule are coordinated by Corporate Information Management Unit (CIMU) following advice from the relevant service areas on required additions or amendments.
3. An overarching review of the Disposal Schedule has not been undertaken for some years; it is therefore planned to include a regular review process of the Disposal Schedule in the business plan for CIMU in the next financial year (2015-16). This is part of the ongoing work following the recommendations from the Information Commissioners Office (ICO) following their audit into Data Protection compliance.
4. A policy outlining the Council's approach to Information and Records Management, including the retention and disposal of records is currently in draft, supporting the Information Governance Strategy recently agreed by the Corporate Information Governance Board (CIGB).

**Corporate Information Governance Board (CIGB)**

5. The CIGB was created on 28 April 2014. Its purpose is to act as a formal governance process, reporting to Senior Leadership Team (SLT), on the overall Information Governance Strategy for the Council. The Board provides assurance to the Council on all matters concerning Information Management, Assurance and Governance and to ensure that we meet both our statutory and legislative requirements and improve overall management of our information.
6. Membership includes representatives from all Directorates, as well as from key functions such as HR and S&CA.

## **Supporting Information**

Appendix – Disposal Schedule

## **Contact Points**

### **Specific Contact Points**

Neil Anderson, Head of Community and Environment  
01905 776580 [nadderson@worcestershire.gov.uk](mailto:nadderson@worcestershire.gov.uk)

Sharon Duggan, Registration, Coroner and Corporate  
Information Services Manager  
01905 728754 [sduggan@worcestershire.gov.uk](mailto:sduggan@worcestershire.gov.uk)

## **List of Background Papers**

In the opinion of the proper officer (in this case the Director of Business, Environment and Community) the following are background papers relating to the subject matter of this report:

Agenda papers and minutes of the Committee meeting on 12 December 2015



## APPENDIX – Disposal Schedule

At its heart, a Disposal Schedule is simply a list of all the records we create, together with instructions and guidance on when and whether these records should be destroyed or preserved, as well as the reasons behind these retention decisions, be they business need or legal compliance.

The schedule can be searched several ways; you can a) do a keyword search, b) take a look through the records for a specific directorate from the drop-down list, or c) search via service if this is applicable.

### Key features of the disposal schedule:

**The Search Bar.** This searches within the Records and Function fields across all the entries schedule. Once you've entered the term, click on the Go button.

**Directorate & Service drop downs.** You can use the filter without the search to view all records for specific directorate, or use it to narrow down your search results. And as each directorate and its teams produce records which are generic to all departments (financial records, HR/Employee records, management records such as meeting minutes), these are listed separately to the directorate records. They can also be selected from the directorate drop-down list.

### Working with the results

**Export to PDF.** This creates a PDF of whatever you have displayed. This is useful if you need to send a section of the schedule to someone via email who does not have access to SID or if you are having a tidy-up day and you need a temporary paper copy of the schedule. Note it only exports the page you are on so you may need to expand the page to the number of entries your search or filter has returned.

**Funnel option.** The funnel icon clears the filter and enables you to perform a fresh search.

**Change number of results displayed.** You can increase or decrease the amount of records that are displayed on the page. Change the number on the toolbar and click Go.

**Columns.** Finally, if you want to sort the results by any specific column, just click on the column heading. Click again to resort in the opposite order.

The schedule is a living, working document, which is subject to review as structures change, as the nature of work changes, and as the laws and guidance that underpin the decisions alter. Therefore if you spot any additions, omissions or alterations that need to be made need then let us know! You can email us at [disposalschedule@worcestershire.gov.uk](mailto:disposalschedule@worcestershire.gov.uk). If it's urgent, call CIMU on #6693.

If you have any suggestions for improvements to the new schedule please do let us know at [disposalschedule@worcestershire.gov.uk](mailto:disposalschedule@worcestershire.gov.uk). The schedule will be developing and changing over the next few months and we are happy to consider any suggestions for ways of improving it.

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**Audit and Governance Committee**  
**20 March 2015****7. SALES, FEES AND CHARGES****Recommendation**

**1. The Head of Finance and Business Support (Adult Services and Health) recommends that the report be noted.**

**Background Information**

2. In May 2010 a review was commissioned to produce an "Income Diagnostic" report for the County Council. Whilst the Council receives income from a variety of sources, the report had a specific focus on income generated from sales, fees and charges.

3. A comparison was made of the level of income generated by Worcestershire County Council against other Counties. The conclusion was that although Worcestershire was performing better than average "it was not amongst the best performing authorities".

4. The initial report was based on information contained in government Revenue Outturn (RO) returns from the 2008/09 financial year.

5. The Committee received an updated report at its meeting on 12 September 2014, based on the 2012/13 returns. The Committee noted the report, but requested that further investigation be carried out on Adult Social Care, where Worcestershire County Council's income was low in the table of comparator counties. (Minute no. 314 refers)

**Adult Social Care  
"Income Diagnostic"  
Investigation**

6. The initial high level analysis completed by Council officers showed that in respect of Adult Social Care, income generated through sales, fees and charges as a percentage of total service expenditure had increased from 10.3% in 2008/09 to 10.92% in 2012/13. However, it was noted that in terms of ranking with other local authorities, Worcestershire's 2012/13 ranking was 26<sup>th</sup> out of 27 authorities. In 2008/09 it was 19<sup>th</sup> out of 34 authorities. The relative position (26 out of 27) for 2012/13 is shown in the graph in Appendix 1.

7. During the discussion at the meeting in September 2014, it was recognised that there were a number of variables that could impact on the results reported. These would include consistency of return completion, charging policies for service users, number of people paying higher charges, collection rates and total expenditure.

8. A number of areas were investigated to determine potential reasons why Worcestershire should be ranked low in

comparison to other comparator counties:

### **Consistency of Return Completion**

9. The initial report noted that whilst the analysis gave a high level benchmark comparison, this assumed that the RO returns had been consistently completed across authorities. It was noted that the Income Diagnostic reports should therefore be viewed with caution.

10. The Revenue Outturn returns are required to be submitted to the Department for Communities and Local Government on an annual basis. The returns contain detailed information on expenditure and income across the range of local government services. Guidance notes are issued with the returns. It should be noted that there have been changes to this guidance annually, which also potentially hinders year on year comparison.

11. Within the 2012/13 RO returns, there were 10 separate returns as follows:

<b>RO Reference</b>	<b>Description</b>
RS	Revenue Outturn Summary
RSX	Revenue Outturn Expenditure Summary
RG	Specific and Special grants
RO1	Education Services
RO2	Highways and Transport
RO3	Social Care
RO4	Housing Services
RO5	Cultural, Environmental, Regulatory and Planning Services
RO6	Protective Cultural Central and Other Services
ROTSR	Trading Services

12. The investigation began with reviewing the data in Worcestershire County Council's return. Adult social care expenditure and income information is included in return reference RO3. The return requires income to be split separately between "sales fees and charges" and "other income". The 2010 Income diagnostic report noted that "there is a risk of miscoding between the two groups".

13. An examination of the source data for Worcestershire's return for 2012/13 has shown that income from non-residential charges was included in "other income" rather than "sales fees and charges". This was because the account codes were included in the incorrect classification as determined by the Chartered Institute of Public Finance and Accountancy. (CIPFA).

14. If the income from non-residential charges were shown in the sales fees and charges total, this would mean that the income as a percentage of total expenditure would rise from 10.92% to 14.03%, illustrated in the table below. This would

take Worcestershire nearer the median of the comparator authorities rather than the lowest.

Income Diagnostic 2012/13	£000
Gross Service Expenditure	175,146
Sales Fees and Charges (RO3)	19,126
<b>Percentage of income v expenditure</b>	<b>10.92%</b>
Include income from non-residential	5,454
Sales Fees and Charges (AMENDED)	24,580
<b>Percentage of income v expenditure (AMENDED)</b>	<b>14.03%</b>

15. Appendix 2 indicates that Worcestershire would then be 17<sup>th</sup> out of 27 authorities, rather than 26<sup>th</sup> as reported to this Committee in September 2014.

16. It has been quite difficult to gather information from other local authorities on the detail of what was included in their returns for 2012/13. However, a discussion with one local authority who was in the top quartile in the initial analysis of the 2012/13 returns has indicated that they have included "other income" in the sales fees and charges totals.

17. They had also included income from the NHS in the income totals of the RO3 return. However, Worcestershire's approach was to include income from the NHS in the RG return, which is the specific return for grants. This is because the income from the NHS is paid to the Council from a grant paid under Section 256 of the 2006 NHS Act.

18. This supports the view that there is inconsistency between the approaches taken across local authorities, which makes meaningful comparison challenging.

### **Charging Policies/People Paying Higher rates**

19. Local Authority charging is a complex area. Some charging regimes are currently mandatory and there is no scope for discretion. A particularly complex area is adult social care charging. For example, the Council is currently under a duty to charge certain recipients of care (e.g residential and nursing care).

20. The Department of Health has issued statutory guidance, namely the Charging for Residential Accommodation Guide (CRAG) which is currently used to assess a resident's capital and income and what contribution they should make toward the cost of their accommodation. There is therefore no scope to consider increasing charges in this area.

21. Charging for non-residential accommodation is currently discretionary. Where the Local Authority is entitled to charge, there is a statutory framework setting out the approach to be used.

22. Charging for non-residential services has been in place in

Worcestershire since the mid 1990's. Whilst the charging policy was reviewed in 2002, up until 2010, the policy had not changed.

23. During the period September 2010 to November 2011 there were four separate reports to Cabinet and extensive consultation regarding proposed changes to the policy. It was agreed to remove subsidies from charging although noted that 77% of service users would not be adversely affected by the changes. Cabinet agreed to implement changes in charging levels for those existing service users affected over a period of 4 financial years from April 2012.

24. The 2012/13 RO return would have included the first year of the transition to implement the new charges. An analysis of the cohort receiving service as in June 2013 concluded that the number of service users assessed as being able to pay the full cost of services was only 4% and the number of service users who were assessed as a "NIL" charge (ie not contributing towards the cost of their care) was 44%.

25. However, Committee should be aware that the Care Act which comes into force from April 2015, gives local authorities the power to charge for services for care and support rather than a duty and replaces existing provisions. Cabinet on 5 February 2015 confirmed that the Council will continue to charge for care and support for service users in line with its powers under the Care Act and existing policy.

#### **Collection Rates**

26. This refers to the ability of the Council to collect income from charges. Firstly, for residential and nursing care, the Council does not physically collect income. When someone enters residential and nursing care, the current arrangements are that the care home collects income directly from the resident based on the financial assessment of the charges due, and the Council pays the care home provider net of these charges.

27. For non-residential charges, service users are invoiced monthly for the services they receive. The debt outstanding is monitored through the monthly budget monitoring reports. The 2012/13 and 2013/14 reports indicate that 92% - 95% of debt was collected at year end, with the remaining debt subject to further review.

28. The September report was based on the Revenue Outturn information from 2012/13. The 2013/14 analysis of the RO returns has recently been published, the results of which have been examined.

29. Following an adjustment to show charging income in the "sales, fees and charges" category, Worcestershire's position shows that in respect of Adult Social Care, income generated through sales, fees and charges as a percentage of total service expenditure had increased from 14.03% in 2012/13 to 14.21% in 2013/14. In terms of ranking with other local authorities, Worcestershire's 2013/14 ranking was 19th out of

## **13/14 Revenue Outturn information**

## Summary

27 authorities. This is shown in the graph in Appendix 3.

30. There has been further analysis to determine the possible reasons why Worcestershire's ranking was low in comparison to other local authorities. This has been very helpful in confirming the assertion that there are inconsistencies in return completion. In terms of Worcestershire's completion, the issue with incorrect code classification has been identified and resolved for this financial year.

31. The investigation has confirmed that charges for care are not subsidised but the amount of income will be influenced by the numbers of people assessed as being able to contribute towards their services. Collection rates and methods are very good and the Council maximises income for this service area.

## Supporting Information

Appendix 1 – Adult Social Care initial graph 2012/13  
Appendix 2 – Adult Social Care Amended graph 2012/13  
Appendix 3 – Adult Social Care 2013/14 graph

## Contact Points

### Specific Contact Points

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## List of Background Papers

In the opinion of the proper officer (in this case the Head of Finance and Business Support.) the following are the background papers relating to the subject matter of this report:

Income Diagnostic report May 2010  
Audit and Governance Committee agenda papers and Minutes for the meeting on 12 September 2014

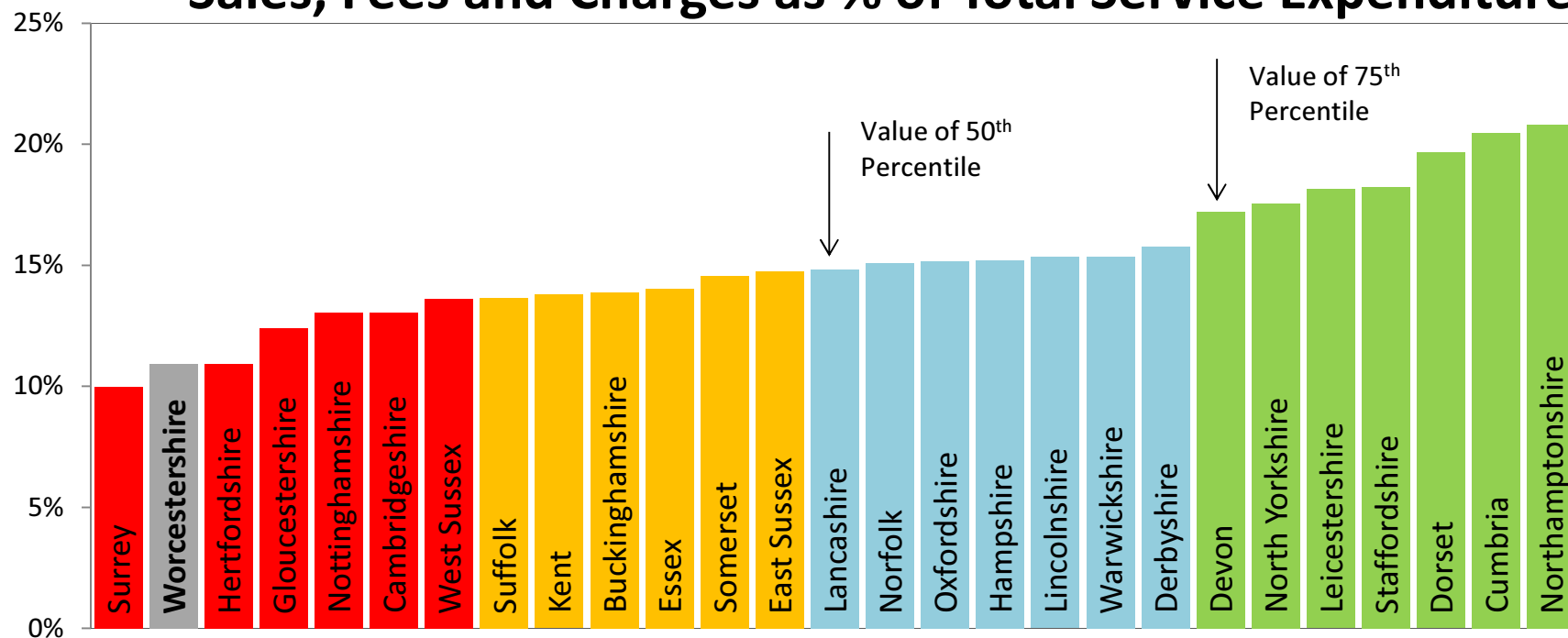
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# APPENDIX 1 (Audit and Gov Ctte Sept 14)

## Total Adult Social Care 2012/13

### Sales, Fees and Charges as % of Total Service Expenditure



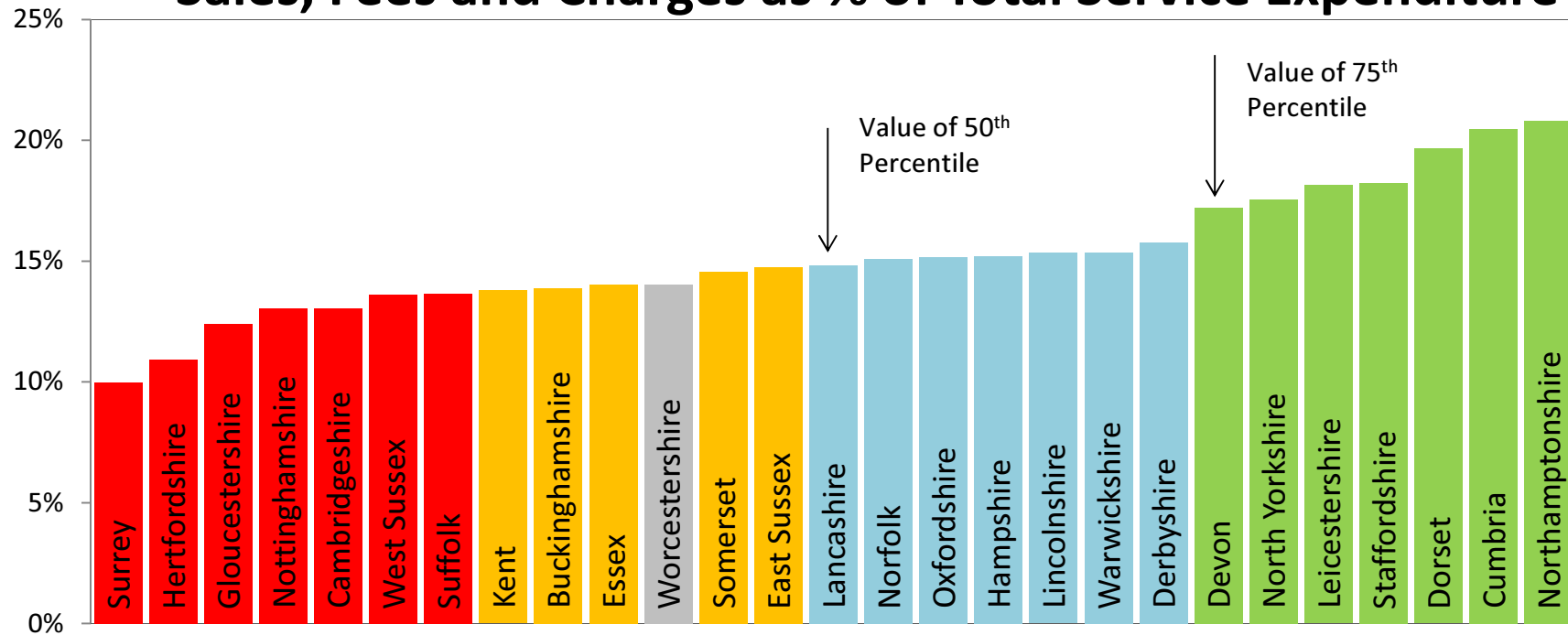
Ranked **26<sup>th</sup>** highest of **27** authorities    Value = 10.92%

#### Basic Chart Data

Worcestershire County Council %	10.92%
Median	14.83%
75 <sup>th</sup> Percentile	17.21%
Worcestershire County Council Actual	£19.6m

## APPENDIX 2 - Amended Graph Total Adult Social Care 2012/13

### Sales, Fees and Charges as % of Total Service Expenditure



Ranked **17<sup>th</sup>** highest of **27** authorities      Value = 14.03%

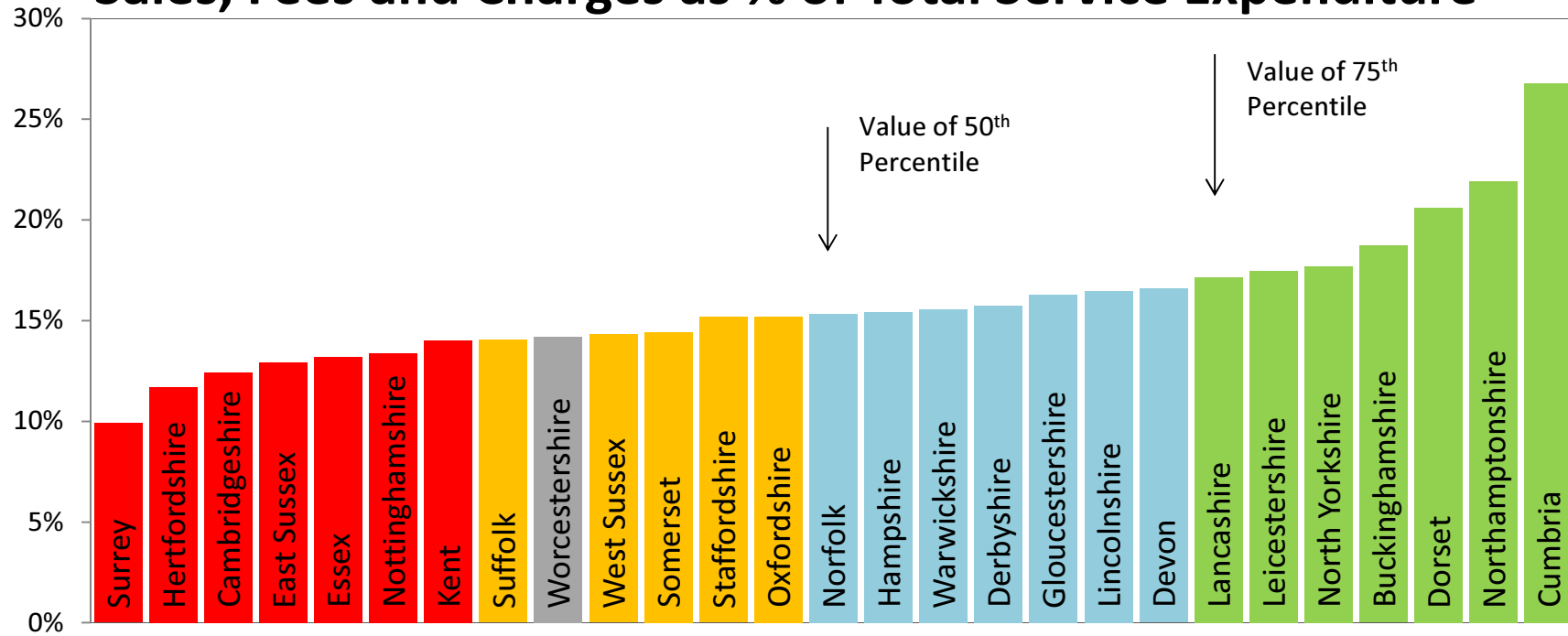
#### Basic Chart Data

Worcestershire County Council %	14.03%
Median	14.83%
75 <sup>th</sup> Percentile	17.21%
Worcestershire County Council Actual	£24.6m

# APPENDIX 3 - 2013/14

## Total Adult Social Care 2013/14

### Sales, Fees and Charges as % of Total Service Expenditure



Ranked **19<sup>th</sup>** highest of **27** authorities      Value = 14.21%

Basic Chart Data	
Worcestershire County Council %	14.21%
Median	15.34%
75 <sup>th</sup> Percentile	17.14%
Worcestershire County Council Actual	£27.5m

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**Audit and Governance Committee**  
**20 March 2015****8. EXTERNAL AUDIT PLANS****Recommendation**

1. **The Committee is asked to note the content of the Audit Plans for Worcestershire County Council and its Pension Fund for 2013/14 as set out at Appendices 1 and 2.**

**Introduction**

2. Grant Thornton, the Council's external auditor has produced external audit plans for the Council and its Pension Fund and these plans are attached as Appendices 1 and 2 respectively.
3. Kyla Bellingall, Director at Grant Thornton will be attending the meeting to answer any questions relating to the documents. She will be accompanied by Helen Lillington, the Senior Manager.

**Supporting Information**

- Appendix 1 – The Audit Plan for Worcestershire County Council
- Appendix 2 – The Audit Plan for Worcestershire County Council Pension Fund

**Contact Points****Specific Contact Points**

Sean Pearce, Head of Corporate Financial Strategy  
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**List of Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

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# The Audit Plan for Worcestershire County Council

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**Year ended 31 March 2015**

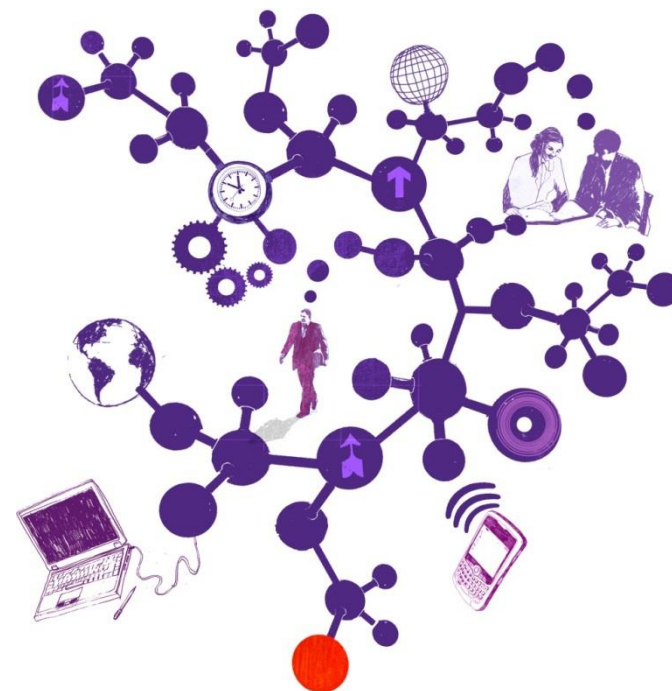
20 March 2015

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



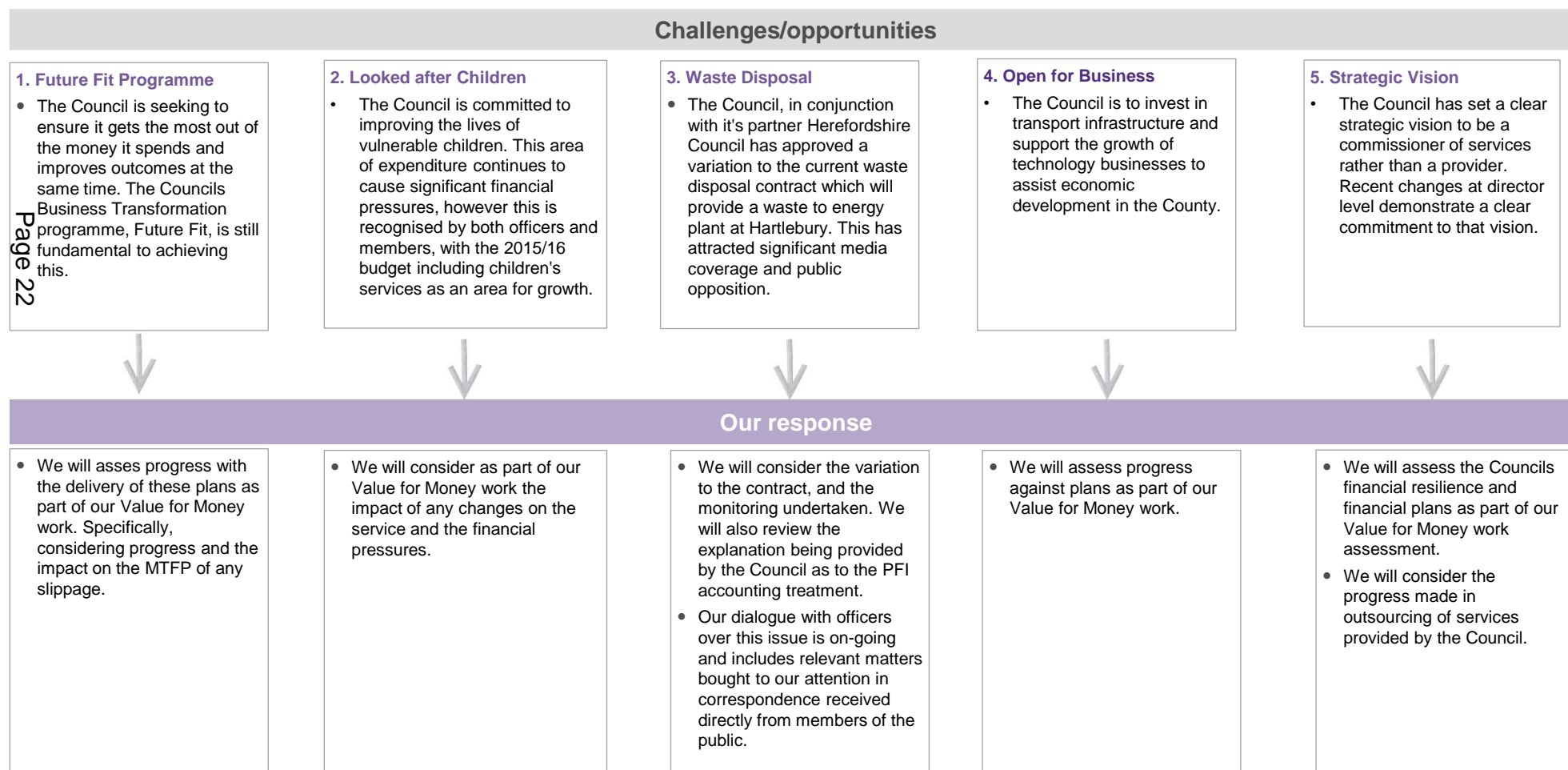
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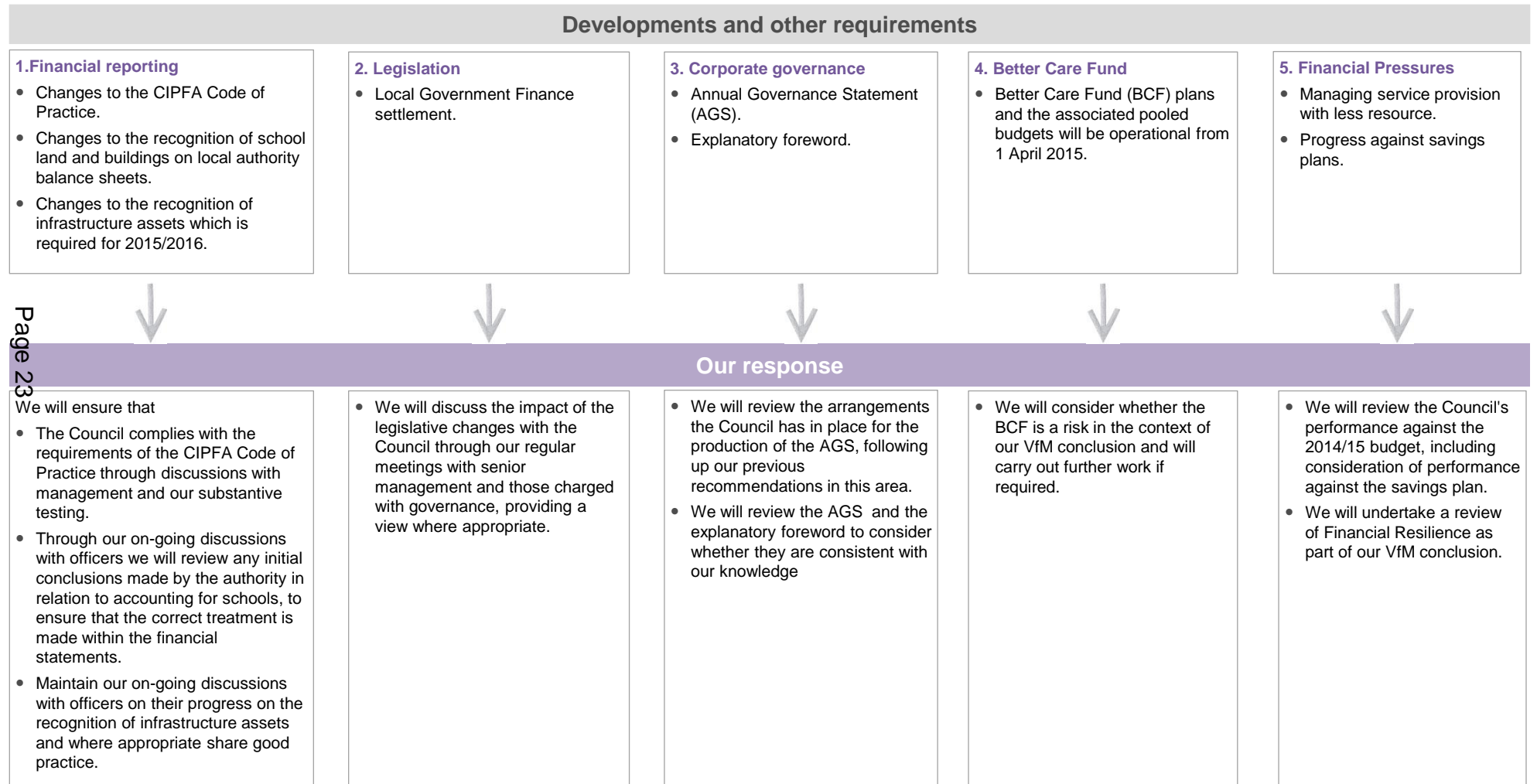
# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



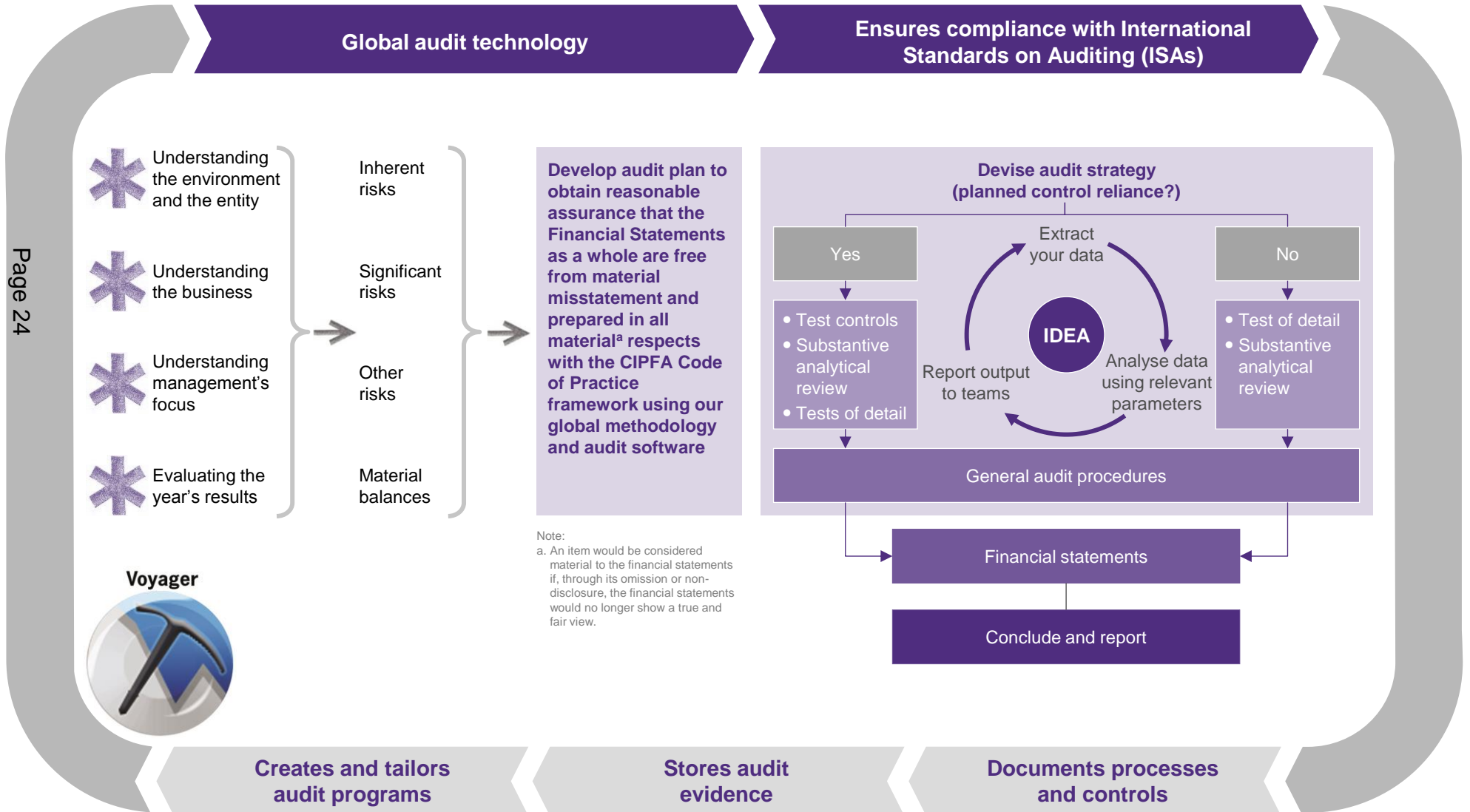
# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.



# Our audit approach

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Note:  
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

# Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Worcestershire County Council , we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition,</li> <li>• Opportunities to manipulate revenue recognition are very limited,</li> <li>• the culture and ethical frameworks of local authorities, including Worcestershire County Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management.</li> <li>• Testing of journal entries.</li> <li>• Review of unusual significant transactions.</li> </ul>

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# Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses  Page 26	Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period.	<b>Work completed to date:</b> <ul style="list-style-type: none"> <li>• We have updated our understanding and discussed the cycle with relevant personnel from the finance team during the interim audit.</li> <li>• We have conducted a walkthrough of the key controls for this system.</li> </ul> <b>Further work planned:</b> <ul style="list-style-type: none"> <li>• We will search for unrecorded liabilities by reviewing payments after the year end.</li> <li>• We will review the Council's accruals process and test accordingly (including goods received).</li> </ul>
Employee remuneration	Employee remuneration and benefit obligations and expenses understated.	<b>Work completed to date:</b> <ul style="list-style-type: none"> <li>• We have updated our understanding and discussed the cycle with relevant personnel from the finance team during the interim audit.</li> <li>• We have conducted a walkthrough of the key controls for this system.</li> </ul> <b>Further work planned:</b> <ul style="list-style-type: none"> <li>• We will undertake a reconciliation of the payroll system to the general ledger, including proof in total of the monthly payroll to the general ledger.</li> <li>• We will complete a trend analysis of monthly payroll data.</li> <li>• We will test individual employees on a sample basis.</li> </ul>

# Value for money

## Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

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We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Perform a risk assessment and then consider the areas for further review which will support our overall conclusion. We will then update members on the key areas reviewed,
- Follow up any issues highlighted from our review of the public objections made in the prior year, and
- Review the current contract monitoring arrangements in place for the Energy from Waste plant.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

We will agree any additional reporting to the Council on a review-by review basis.

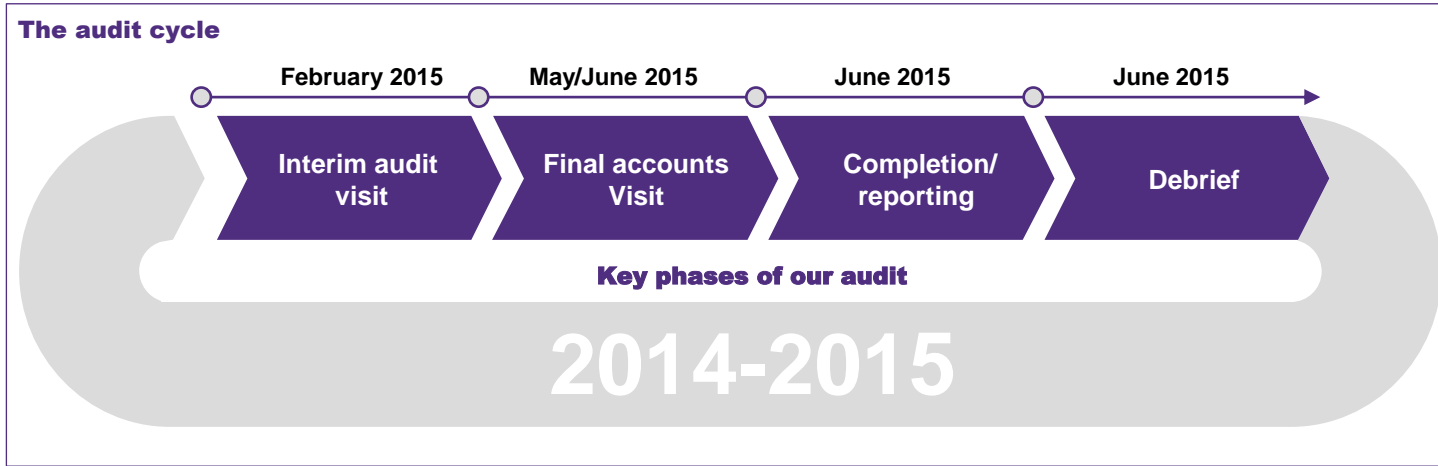
# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values,</li> <li>• Commitment to competence,</li> <li>• Participation by those charged with governance,</li> <li>• Management's philosophy and operating style,</li> <li>• Organisational structure,</li> <li>• Assignment of authority and responsibility,</li> <li>• Human resource policies and practices.</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Disclosure review	<p>As part of our planning we have discussed with finance officers a number of disclosure requirements that will impact on the 2014/15 accounts.</p>	<p>At this stage, we are satisfied that the Council has plans in place to action these requirements and we will review compliance at the final audit visit.</p>



# Key dates



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<b>Date</b>	<b>Activity</b>
<b>February 2015</b>	Planning
<b>February 2015</b>	Interim site visit
<b>March 2015</b>	Presentation of audit plan to Audit Committee
<b>May/June 2015</b>	Year end fieldwork
<b>16<sup>th</sup> June 2015</b>	Audit findings clearance meeting with Director of Finance
<b>26<sup>th</sup> June 2015</b>	Report audit findings to those charged with governance
<b>10<sup>th</sup> August 2015*</b>	Sign financial statements opinion * This is a provisional date and may be subject to change.

# Fees and independence

## Fees

	£
Council audit	127,261
Grant certification	0
<b>Total fees (excluding VAT)</b>	<b>127,261</b>

### Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

### Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

## Fees for other services

Service	Fees £
None	Nil

### Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter. Initial discussions have been held with officers regarding the certification arrangements for both the teachers' pension claim and the major transportation grant which while outside the Audit Commission regime will still require an audit certificate.

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Communication of audit matters with those charged with governance (cont.)

In addition to the areas covered on the previous page, we are required to consider the following in our discussions with those charged with governance (the Audit and Standards Committee)

Area of consideration	Current understanding based on planning and interim work to date
<b>Awareness of fraud or suspected fraud</b>	There are no material instances of fraud that have been identified during the year. Any significant suspected or alleged fraud are investigated by Internal Audit and reported to the Audit and Standards Committee on a regular basis.
<b>Views about the risks of fraud</b> Page 32	Although there is an on-going risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. These include the regular review of arrangements and work carried out by Internal Audit as part of their annual plan. The risk of material misstatement of the accounts due to undetected fraud is low and this is consistent with the risk management processes that are in place within the Council.
<b>Awareness of whistleblower tips or complaints</b>	Internal Audit are involved in the investigation of whistleblower referrals or complaints with a potential financial impact. There are no material instances of fraud that have been identified during the year arising from whistleblower tips or complaints.
<b>How the Audit &amp; Standards Committee provide oversight of management's fraud risk assessment process</b>	<p>The Annual Governance Statement and Head of Internal Audit Opinion are formally presented to the Audit and Standards Committee on an annual basis.</p> <p>The system of internal control is reviewed annually as part of the annual governance statement. The work plan of Internal Audit includes reviewing the operation of internal controls and appropriate segregation of duties. Internal Audit include fraud risk in their planning process.</p>

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# The Audit Plan for Worcestershire Pension Fund

**Year ended 31 March 2015**

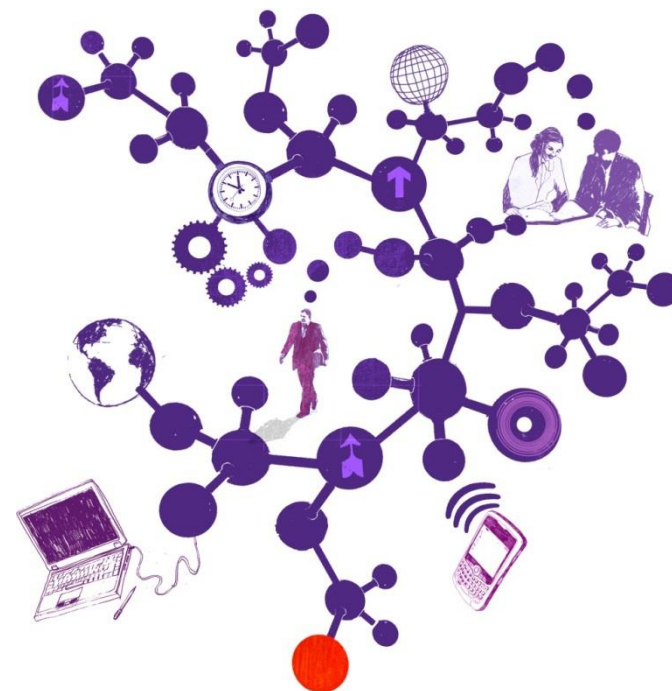
20 March 2015

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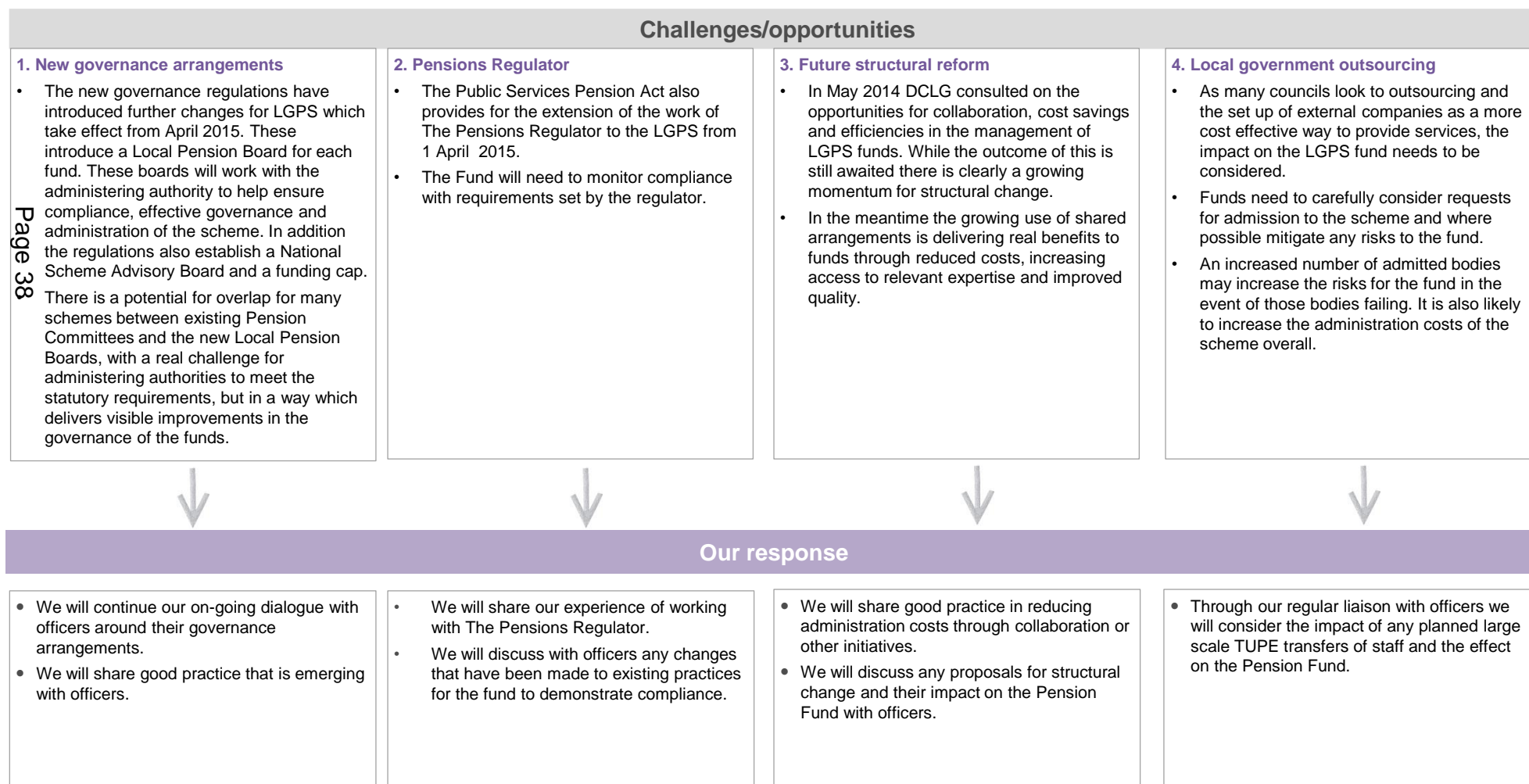
## Section

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# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Pension Fund is facing. We set out a summary of our understanding below.



# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

## Developments and other requirements

### 1. LGPS 2014

- During 2013/14 funds have implemented LGPS 2014. This has moved LGPS from a final salary scheme to a career average scheme one year ahead of other public sector schemes.
- Under this new scheme, the calculations of benefits are likely to be more complex, as are the arrangements for ensuring the correct payment of contributions.
- LGPS 2014 has put a greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems in place to maintain and report on this data.

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### 2. Financial Reporting

- There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2015, however the Pension Fund needs to ensure on-going compliance with the Code .

### 3. Financial Pressures

- Pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income.
- Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of the investment markets.

### 4. Accounting for Fund management costs

- The Code's only requirement for the disclosure of the costs of managing the pension fund is that management costs in relation to a retirement benefit plan are disclosed on the face of the fund account.
- CIPFA have recently produced guidance aimed at improving the transparency of management cost data and have suggested that funds should include in the notes to the accounts a breakdown of those management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.

## Our response

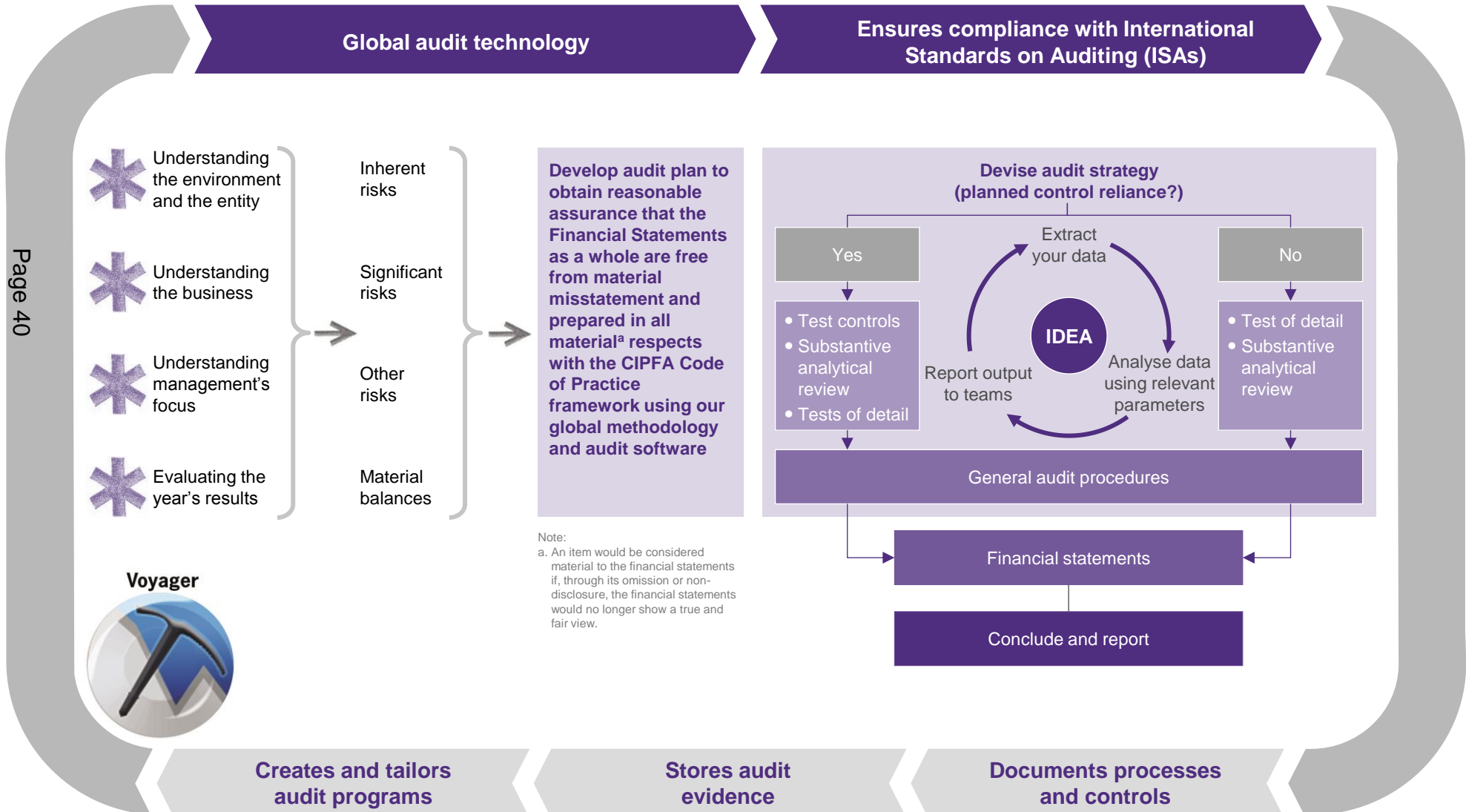
- We will consider changes made to the pensions administration control environment in response to LGPS data requirements.

- We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our substantive testing.

- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.

- We will discuss with officers any planned changes to the financial statements in response to this guidance.

# Our audit approach



Note:  
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

# Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions  Page 41	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.  This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Worcestershire Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition.</li> <li>• opportunities to manipulate revenue recognition are very limited.</li> <li>• the culture and ethical frameworks of local authorities, including Worcestershire County Council who act as the administrators of the pension fund, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<b>Work completed to date:</b> <ul style="list-style-type: none"> <li>• Review of the journal control environment.</li> </ul> <b>Further work planned:</b> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries.</li> <li>• Review of unusual significant transactions.</li> </ul>

# Significant risks identified cont'd

Significant risk	Description	Substantive audit procedures
<p>Level 3 Investments – Valuation is incorrect.</p> <p>A level 3 investment is one where at least one input that could have a significant effect on the value of the investment is not based on observable market data. The most common example of which are investments in private equity, which are valued using various estimation techniques.</p>	<p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Due to a change in investment strategy this will be the first year the fund has held material level 3 investments.</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• We have discussed with officers the change in investment strategy for the fund which will result in material level 3 investments at year end and the impact that this will have for both the number of accounting judgements and disclosures in the financial statements.</li> <li>• Obtained details of the new fund managers and written to them asking for external confirmation of the year end balance, and their control report.</li> <li>• We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit.</li> <li>• We have performed walkthrough tests of the controls identified in the cycle.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• For a sample of investments, test valuations by obtaining and reviewing audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period.</li> <li>• Review the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached.</li> <li>• To review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.</li> </ul>

# Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit.</li> <li>We have performed walkthrough tests of the controls identified in the cycle.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances.</li> </ul>
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit.</li> <li>We have performed walkthrough tests of the controls identified in the cycle.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances.</li> </ul>

# Other risks identified continued

Other risks	Description	Audit Approach
<p>Contributions</p>	<p>Recorded contributions not correct (Occurrence)</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit.</li> <li>We have performed walkthrough tests of the controls identified in the cycle.</li> <li>We have discussed with internal audit their work completed in this area and sought to minimise the level of testing we undertake by placing reliance on their work.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Controls testing over the contributions made to the fund.</li> <li>Test a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li> <li>Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.</li> </ul>
<p>Benefits payable</p>	<p>Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit.</li> <li>We have performed walkthrough tests of the controls identified in the cycle.</li> <li>We have undertaken control testing over the arrangements for members to be enrolled into the scheme, up until the end of January 2015.</li> <li>We have discussed with internal audit their work completed in this area and sought to minimise the level of testing we undertake by placing reliance on their work.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Confirm that controls for members to be enrolled in the scheme are in place at year end.</li> <li>Test a sample of individual pensions in payment by reference to member files.</li> <li>We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.</li> </ul>



## Other risks identified continued

Other risks	Description	Audit Approach
Member Data	Member data not correct. (Rights and Obligations)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"><li>• We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit.</li><li>• We have performed walkthrough tests of the controls identified in the cycle.</li><li>• Controls testing over new enrolments to the pension scheme, up until the end of January 2015</li><li>• We have discussed with internal audit their work completed in this area and sought to minimise the level of testing we undertake by placing reliance on their work.</li></ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"><li>• Confirm that controls over new enrolments to the pension scheme are in place at year end.</li><li>• Sample testing of changes to member data made during the year to source documentation.</li></ul>

# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
<b>Walkthrough testing</b>  Page 46	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Internal controls have been implemented in accordance with our documented understanding, however we note that no changes have been made to the control environment since the introduction of LGPS 2014 particularly in respect of ensuring the correct payment on contributions.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements</p> <p>We have however discussed with officers that there are a number of out of date documents held on the website. The website is a key source of information for members of the pension scheme, and is referenced as part of both the financial statements and pension fund annual report. In particular the members handbook should be updated to accurately reflect the provisions of LGPS14.</p>
<b>Journal entry controls</b>	<p>We have reviewed the Fund's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Fund's control environment or financial statements.</p>	<p>No issues have been identified that we wish to highlight for your attention.</p>

# Key dates



<b>Date</b>	<b>Activity</b>
<b>February 2015</b>	Planning
<b>February 2015</b>	Interim site visit
<b>March 2015</b>	Presentation of audit plan to Audit Committee
<b>June 2015</b>	Year end fieldwork
<b>June 2015</b>	Audit findings clearance meeting
<b>June 2015</b>	Report audit findings to those charged with governance
<b>August 2015</b>	Sign financial statements opinion

# Fees and independence

## Fees

	£	£
	2014/15	2013/14
Pension Fund Scale Fee	24,963	24,963
Proposed fee variation – IAS 19 Assurances	1,193	1,193
Proposed fee variation – change in risk profile of investments	1,125	
<b>Total fees (excluding VAT)</b>	<b>27,281</b>	<b>26,156</b>

## Our fee assumptions include:

Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list

- The scope of the audit, the Fund, and its activities, have not changed significantly
- The Fund will make available management and accounting staff to help us locate information and to provide explanations
- The proposed fee variation for IAS 19 above takes account of the work we are required to undertake for admitted bodies within the Audit Commission regime and is consistent with that requested in prior years.
- We have also discussed with officers the need for a fee variation to complete the additional work that is necessary following the change in investment strategy. This has resulted in the fund having material level 3 investments. These present a higher level of audit risk than in previous years. All proposed fee variations are required to be approved by the Audit Commission.

## Fees for other services

Service	Fees £
None	Nil

## Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Communication of audit matters with those charged with governance

In addition to the areas covered on the previous page, we are required to consider the following in our discussions with those charged with governance (the Audit and Standards Committee)

Area of consideration	Current understanding based on planning and interim work to date
<b>Awareness of fraud or suspected fraud</b>	There are no material instances of fraud that have been identified during the year. Any significant suspected or alleged fraud are investigated by Internal Audit and reported to the Audit Committee on a regular basis.
<b>Views about the risks of fraud</b>	Although there is an on-going risk of fraud being committed against the fund arrangements are in place to both prevent and detect fraud. These include the regular review of arrangements and work carried out by Internal Audit as part of their annual plan. The risk of material misstatement of the accounts due to undetected fraud is low and this is consistent with the risk management processes that are in place within the Fund and administering authority.
<b>Awareness of whistleblower tips or complaints</b>	Internal Audit are involved in the investigation of whistleblower referrals or complaints with a potential financial impact. There are no material instances of fraud that have been identified during the year arising from whistleblower tips or complaints.
<b>How the Audit &amp; Standards Committee provide oversight of management's fraud risk assessment process</b>	The Annual Governance Statement and Head of Internal Audit Opinion are formally presented to the Audit Committee on an annual basis. The system of internal control is reviewed annually as part of the annual governance statement. The work plan of Internal Audit includes reviewing the operation of internal controls and appropriate segregation of duties. Internal Audit include fraud risk in their planning process.

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**Audit and Governance Committee**  
**20 March 2015****9. INTERNAL AUDIT PROGRESS REPORT 2014/15****Recommendation**

1. **The Chief Financial Officer recommends that the content of the Draft Internal Audit progress report attached as an Appendix be approved.**

**Introduction**

2. Internal audit has undertaken work in accordance with the 2014/15 Internal Audit Plan which was approved by this Committee at its meeting on 27 June 2014. A draft copy of the progress report for the period 1 April to 31 January 2015 is attached as an Appendix and members are asked to consider approving its content.

**Supporting Information**

Appendix – Draft Internal Audit Progress Report 2014/15

**Contact Points****Specific Contact Points**

Sean Pearce, Head of Corporate Financial Strategy  
Ext: 6268. Email: [spearce@worcestershire.gov.uk](mailto:spearce@worcestershire.gov.uk)

**List of Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

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## Internal Audit Progress Report 1 April to 31 January 2015



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## 1. Introduction

### 2014/15 Internal Audit Plan

- 1.1. We have undertaken work in accordance with the 2014/15 Internal Audit Plan which was approved by the Audit and Governance Committee at its meeting on 27 June 2014.
- 1.2. An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix 1. 1357 days out of a total planned 1800 days (75%) were delivered as at 31 January 2015. The plan includes 280 days for external clients. This is in line with our projected profile and we commit to completing the majority of the remaining work ahead of the year end.
- 1.3. There has been a reduction in available resources due to a Senior Auditor being seconded to work on the new Financial and Business Reporting Information System, a Senior Auditor moving to a 30 hour week on a temporary basis and an Audit Assistant taking maternity leave.
- 1.4. The reduction in resources has been offset where possible by more efficient working methods, improved performance and use of the Internal Audit Framework Agreement.
- 1.5. The Audit and Governance Committee has responsibility to review the adequacy of the County Council's internal control and risk management arrangements. Internal Audit is an independent assurance function which provides an objective opinion on the effectiveness of the control environment comprising risk management, control and governance.
- 1.6. Internal Audit meets with individual directors on a regular basis in order to discuss progress and key issues in their respective areas. These meetings are being used to inform the audit plan with regard to the 150 days allocated to directorate risk. To date only 26 days of this allocation have been used. However, some of this allocation has been used to meet significant increase in the amount of advice given.
- 1.7. In order to formulate the 2015/16 audit plan, during December to February, the Senior Manager – Internal Audit and Assurance met with all Directors and Heads of Service to understand their priorities and how Internal Audit can undertake work in their areas that will add value as well as providing assurance on the control environment.

## 2. Internal audit work completed 1 April to 31 January 2015

- 2.1. Work has been carried out in fulfilling the requirements of providing 'core systems' assurance and increasingly being more involved in the organisation's transformation vision. This work has been reported to management to ensure that individual recommendations are properly considered.
- 2.2. Where appropriate each report is given an overall opinion based on the criteria defined in Appendix 2. The recommendations arising from the individual audit reviews are then ranked according to their level of priority, also defined in Appendix 2.
- 2.3. There have been 59 reports finalised during the period 1 April to 31 January 2015, of which 10 have been given limited assurance. These can be summarised as follows:

**Table 1 Summary of audit opinions**

Overall opinion	2013/14 audit plan work carried forward	Quarter 1, 2 & 3 (2014/15)	Total
Full	0	1	1
Significant	5	14	19
Limited	4	6	10
N/A	1	28	29
<b>Total</b>	<b>10</b>	<b>49</b>	<b>59</b>

- 2.4. Within the plan it was agreed that two school themed audits would be undertaken in respect of Procurement Cards and Safeguarding. An overall Procurement Card report was issued reflecting the findings across the schools visited; the opinion is significant assurance. Separate reports were also issued to individual schools containing specific recommendations but without an opinion. In addition an overall Safeguarding report has been issued to management reflecting the findings across the schools visited. The opinion was also significant. Management has confirmed that the points raised will be shared with schools through phase meetings. All ten schools have received a report containing specific recommendations but without an opinion.
- 2.5. In addition to the above, there are a number of reports which have been issued but not finalised:
- Data Information Security (ICO follow up)
  - Procurement- This was a routine audit of four County Council contracts.
  - Corporate Governance
  - European Funding
  - Highways Maintenance Contract
- 2.6. A breakdown of final reports issued can be found in Appendix 3, which summarises the risk ratings associated with each finding and recommendation along with an overall opinion. Further information is provided in the individual reports. A list of those reports which will be considered for publication is included in Appendix 4. Published reports can be accessed by the following link:  
[http://www.worcestershire.gov.uk/info/20003/council\\_democracy\\_and\\_councillor\\_information/1076/internal\\_audit](http://www.worcestershire.gov.uk/info/20003/council_democracy_and_councillor_information/1076/internal_audit)
- 2.7. It is essential that audit recommendations are implemented by management within the agreed timescales. All recommendations are routinely followed up with senior management on a half yearly basis to obtain assurance that recommendations were implemented. As requested by the Audit and Governance Committee the current status of high recommendations is detailed in Appendix 5.
- 2.8. Where audits have been given full or significant assurance this is an indication that the Council has sound processes in place.

- 2.9. Further details regarding the one issued limited assurance audit issued during quarter 3 are contained in Appendix 6. There are a number of other reports which will be published having been finalised. These are detailed in Appendix 4.
- 2.10. The assurance expressed is at the time of the report being issued but before full implementation of the agreed management action plan. Where a response has been received it should be noted that management have accepted the recommendations and have indicated an action plan with timescales for implementation where appropriate.
- 2.11. Following recent audits a "Customer Survey" has been issued to relevant managers asking for their views on the delivery of the audit. There are a range of questions covering audit planning, reporting and an overall assessment. It is pleasing that the results received continue to be very good achieving an average score of 4.4 (out of a maximum of 5). In addition a number of very positive comments regarding Internal Audit work have been received during the year.
- 2.12. Feedback from senior management would also suggest that the quality of output is high and continues to improve.

### **3. Other significant work**

- 3.1. Internal Audit has also carried out work in a number of other areas during the period ending 31 January 2015 and this is set out below.

#### **National Fraud Initiative**

- 3.2. The National Fraud Initiative (NFI), the Audit Commission's data matching exercise helps the Council fight against fraud. Internal Audit continues to act as the lead co-ordinator. The required data was uploaded on the due date of the 6 October. This time there was a requirement for a new data set to be included, those service users in receipt of a direct payment, in addition to Payroll, Pension, Creditor, Care Home, Blue Badges and Concessionary Travel data, which highlighted the need to ensure that our Fair Processing Notice was up to date and this has now been reviewed by officers and updated where necessary. In order to fully comply with the requirements to notify everyone affected that their data was being used in this way an explanatory letter was sent to all service users in receipt of a direct payment and in private residential or nursing care. In August all payslips included a message confirming that payroll data will be shared as part of the NFI process. We were also able to facilitate the uploading of data held by the Council on behalf of the Hereford and Worcester Fire and Rescue Authority, West Mercia Police and the West Mercia Police and Crime Commissioner. The data matches have all been received and allocated to individual officers for investigation.

#### **Information Commissioners Officer - Data Protection audit**

- 3.3. The Council invited the Information Commissioner's Office (ICO) in to advise us on data protection areas which will be challenging as we become a strategic commissioning authority. The ICO have identified some areas of good practice but have also raised a number of significant issues in the areas of data protection governance, security of personal data and data sharing which has led to a very limited assurance opinion. The Council is taking actions to address the ICO's recommendations, as part of this process, Internal Audit attend the Corporate Information Governance Board and Corporate Information Governance Group. Internal Audit has recently completed an audit to follow up on the implementation of a sample of the recommendations. From attendance at these meetings it is clear that good progress is being made with many of the actions completed or close to completion. Most policies have been ratified by the Board;

outstanding ones require completion by 31 March 2015. The ICO are returning to review progress week commencing 13 July 2015.

### **Anti- Fraud and Corruption work**

- 3.4. A separate Annual counter fraud report was submitted to the last meeting of this Committee detailing the work undertaken and planned by Internal Audit in respect of special investigations and pro - active fraud activity.
- 3.5. The Fraud e-learning course has now been completed by 521 out of a potential 3,500 employees.

### **Superfast Broadband Project**

- 3.6. Internal Audit has continued to support this project over the last ten months, supporting officers in checking the information provided by the contractor so that invoices can be paid. Following the announcement of additional funding Internal Audit will again be supporting the verification process to enable all of the milestones to be achieved. Two milestones have been achieved successfully.
- 3.7. Following a question at the previous meeting Internal Audit have looked into the basis that the Superfast Broadband Project is audited and whether it should be assessed on the basis of the satisfaction of the broadband service user rather than the number of users who switch provider and have received the following response:

"A customer satisfaction survey was undertaken on the 'Airband Project' in October 2014, one year after deployment had been completed. Please see the attached link: [http://www.worcestershire.gov.uk/downloads/file/4659/airband\\_wireless\\_community\\_pathfinder\\_satisfaction\\_survey\\_-\\_october\\_2014](http://www.worcestershire.gov.uk/downloads/file/4659/airband_wireless_community_pathfinder_satisfaction_survey_-_october_2014)

The size of the project area meant it was possible to send a letter and questionnaire to all premises in the project area (c.2,200) to both raise awareness of the availability of the service and get feedback from those who have taken up the service; 80% of those that responded were either 'satisfied' or 'very satisfied' with the service they were receiving.

However, for the larger Superfast Worcestershire programme it is not currently planned to undertake a similar exercise at the current time for two main reasons. Firstly, deployment is still underway, many homes and businesses will not yet be able to connect or will have only recently connected therefore their views will not yet be established. Secondly, we do not have the addresses or contact details of premises who have taken the services up, this is deemed commercially sensitive to the various providers who offer services off the Openreach network. Therefore we cannot target our survey to the correct audience.

Superfast Worcestershire is deploying a fibre infrastructure that customers need to 'sign-up' to, customers choose whether or not to sign up and who their supplier is. We are not connecting customers ourselves. The programme does provide a quarterly 'take-up' figure for all the premises that have taken up the service in the deployment area to date. At the end of December this was at 10% and is where we would expect to be at this stage in the programme.

Superfast Worcestershire's engagement with residents and businesses is currently focussed on informing residents and businesses of the current deployment plan and increasing the take-up levels of faster broadband across the county. The programme is currently looking for 'Case Studies' of both businesses and residents that have signed up



to fibre broadband and can talk about the benefits it has brought them."

### Grant claims

- 3.8. A total of 4 grant claims have been reviewed to ensure accuracy and compliance with relevant grant conditions:
- 2 Bus Services Operators Grant (BSOG);
  - Adoption Reform Grant
  - Local Transport Capital Grant
- 3.9. A declaration statement has been signed by the Senior Manager, Internal Audit and Assurance in respect of the Community Capacity Grant. The monies have not yet been spent, so a review of spending will be planned for later in the year.
- 3.10. Further work was also carried out on the Kidderminster Trust Fund. Whilst the value of transactions is relatively low, Internal Audit was able to provide independent assurance regarding this fund.

### Joint Property Vehicle

- 3.11. Internal Audit has attended regular meetings of the JPV Finance Work group to advise on financial issues and the control framework. Following the agreement of the majority of partners to proceed with the JPV, the internal audit function of the new company will be provided by Worcester City and so we shall seek assurance and comfort from them that the necessary risks have been identified and the control environment is operating effectively.

### Commissioning – HR/Payroll/Finance/Enterprise Resource Planning (ERP) and Occupational Health

- 3.12. As a member of the steering group for this project, Internal Audit has advised on the risks, controls and Key Performance Indicators required once the contract has been awarded, attended workshops where the current main services have been captured to inform the specification as well as challenging the Value for Money of the project. The decision has now been taken to re-shape the procurement and refresh the business case. Internal audit will continue to advise on the revised procurement process.

### Advice

- 3.13. This is an important part of Internal Audit's work to ensure that appropriate controls are considered at an early stage. Between 1 November 2014 and 31 January 2015, Internal Audit has advised on a number of areas including:
- **Pensions, Members Self Service** – Ongoing advice regarding the control environment for the implementation of Member Self Service.
  - **Accounts Payable** – Review of documentation required for Accounts Payable payment runs. Advice around the appropriateness and necessity of current documentation including paperwork printed against each BACS payment run and agreed a new Revenue BACS control sheet would be completed for each BACS payment run. There was also consideration of reporting, reconciliation procedures and retention periods.
  - **Pension Board** – Ongoing discussion and advice around Pension Board implementation.

- **Cash Handling Procedures-** Advice given in respect of cash handling procedures.
- **Schools PFI -** Internal Audit have carried out some work in this area and produced a report albeit there are some outstanding issues requiring resolution.
- **Equipment and Sundry Item Disposal –** advice given regarding the selling and disposal of obsolete equipment to ensure that the process is open, transparent and protects everyone involved.

#### 4. Appendix 1: Detailed Audit Plan 2014/15

Area/system	Days	Final report issued	Status/assurance level given
<b>OP1: Core systems reviews – fundamental assurance</b>			
<u>Core Financial Systems</u>	200		
Debtors		February 2015	Final report issued. Significant.
Creditor Payments		February 2015	Final report issued. Significant.
Payroll			Terms of reference agreed.
Pensions – Administration Processes			Fieldwork in progress.
Pension – Investment Management			Ongoing advice provided.
Pension Governance Arrangements			Ongoing advice provided.
VAT		January 2015	Final report issued. Significant.
Bank Reconciliations			Terms of reference agreed.
National Fraud Initiative	30		Ongoing.
Grant certification	30		Ongoing.
<b>OP1: Subtotal</b>	<b>260</b>		

Area/system	Days	Final report issued	Status/assurance level given
<b>OP2: Audits across the key areas of focus in the Corporate Plan</b>			
Directorate Risks:	150		
➤ Daily banking – Audit Banking Log		April 2014	Final report issued. RAG rating.
➤ Business Rates Pool		July 2014	Final report issued. Full.
➤ Crofters Close		September 2014	Final report issued. N/A
➤ Schools Procurement follow up		January 2015	Final report issued. Limited.
Investigative work	80		Ongoing work.
Intelligence led pro-active fraud investigations	25		Ongoing. Currently at the implementation stage of using Fiscal software to analyse key financial data. Training in use of the software has been undertaken.
Advice	50		Ongoing.
ICT Audits - externally provided as part of the Internal Audit framework agreement.	50		
➤ IT Disaster Recovery Review		November 2014	Final report issued. Limited.
➤ Data Centre Operations and Security		November 2014	Final report issued. Significant.
➤ IT Risk Diagnostic		November 2014	Final report issued. No overall opinion given.
➤ IT Strategy		November 2014	Final report issued. No overall opinion given.

Area/system	Days	Final report issued	Status/assurance level given
Data Information Security (ICO follow up)	10		Draft report issued. Agreed in principle by management, opinion significant.
Computer Recycling	10	November 2014	Final report issued. Limited
IT Policy Framework	10		Draft terms of reference have been agreed and the work is to be carried out as part of the Internal Audit IT Framework Agreement.  Management are concerned about the team capacity to handle the review and then follow through with the actions in a timely fashion, and the timing of such a review with the three commissioning projects on at the moment (IBS Schools, WHSS and ICT Managed Services). Therefore the review has been postponed until April 2015.
Ethical Culture	10		Advisory work carried out focussing on the Code of Conduct and Declarations of Interest.
Performance Management	15		Planned for March 2015.
Contract Management	20		A number of contracts have been looked at during the year as part of other reviews and the intention here was to look at the final account for the Malvern Link and Worcester Foregate Street Station contract in detail but due to delays in this being completed the audit review will transfer to 2015/16 Audit Plan.

Area/system	Days	Final report issued	Status/assurance level given
Commissioning	30		Terms of reference agreed, work covering the area of Learning and Achievement to be carried out as part of the Internal Audit Framework Agreement.  A significant amount of advisory work has already taken place in this area.
Cost of change- redundancy costs.	10		Draft report produced.
Travelling and Subsistence –Employees	25	November 2014	Final report issued. Significant.
Travelling and Subsistence – Councillors	10	February 2015	Final report issued. Significant.
Councillor ICT arrangements.	5	November 2014	Final report issued. Significant.
WCDF – Worcestershire Councillor's Divisional Fund	10	September 2014	Final report issued. Significant.
Flexible and Mobile Environment (FAME) working	20		Discussions have been held with the Head of Human Resources and Head of Systems and Customer Access who consider that the planned work would not add any value at this point in time and audit resources would be better utilised in 2015/16.

Area/system	Days	Final report issued	Status/assurance level given
Procurement	30		<p>Work has taken place on a sample of 4 contracts across directorates:</p> <ul style="list-style-type: none"> <li>➤ Stop Smoking;</li> <li>➤ Street Lighting;</li> <li>➤ Family Conferencing and</li> <li>➤ Stronger Families.</li> </ul> <p>Final reports have been issued without opinions in respect of Stop Smoking, Street Lighting, Family Conferencing and Stronger Families. An overall final report has been issued, Internal Audit are still awaiting a final management response.</p>
Future Fit: Future Operating Model	20		Terms of reference agreed, work to be carried out as part of the Internal Audit Framework Agreement.
Joint Property Vehicle (JPV)	30		Ongoing work in this area.
Archaeology	15		Terms of Reference issued.
Registrars	10		Fieldwork in progress.
Corporate Governance	15		Draft report issued.
Risk Management	10		Draft report produced.

Area/system	Days	Final report issued	Status/assurance level given
Audit and Governance Committee training	5		'Effective Audit Committees' – completed May 2014.
General follow up	20		Ongoing.
Freedom of Information Requests	15		Fieldwork in progress.
Insurance arrangements - Compliance	5		Fieldwork in progress.
Insurance arrangements – Full systems	10		Fieldwork in progress.
Training and Development	15		It was agreed that the planned audit of the Staff Review and Development scheme will not add value at the present time due to imminent changes to the scheme. An audit may be appropriate when the changes have been implemented and embedded.
Use of Agency staff	15	November 2014	Final report issued. Limited.
<b>OP2: Subtotal</b>	<b>755</b>		
<b>OP3: Open for Business</b>			
European Funding	10		Draft report issued.
Local Enterprise Projects	10		Terms of reference issued, work to be carried out as part of the Internal Audit Framework Agreement.



Area/system	Days	Final report issued	Status/assurance level given
Growing Places Fund	10		Terms of reference issued, work to be carried out as part of the Internal Audit Framework Agreement.
Broadband project	20		Ongoing.
Improvement & Efficiency West Midlands (IEWM)	10		Transferred to 2015/16 Audit Plan.
Efficiency Audit	20	February 2015	Three individual reports and an overall Final report issued. Significant.
<b>OP3: Subtotal</b>	<b>80</b>		
<b>OP4: Children and Families</b>			
Sufficiency of Alternative provision (to ensure sufficient school places for all eligible pupils in the County).	25		Initial discussions were held to determine terms of reference. Developments have been made in this area of work and quality assurance measures put in place that now mean the audit work is not considered required.
Not in Education, Employment or Training (NEETS).	10	November 2014	Final report issued. Limited.

Area/system	Days	Final report issued	Status/assurance level given
Safeguarding	30		Discussions have taken place with the Head of Service to inform the terms of reference. Internal Audit are continuing to explore with management the best point of focus for audit involvement to ensure we are meeting our commitment in this area.
Primary School Sports Grant	15		Draft report produced.
School Themed Audits:	100		
➤ Procurement Cards			Final reports issued to 10 schools. Overall report was issued reflecting the findings across the schools visited. Significant assurance.
➤ Safeguarding			10 draft reports issued and responses received. Overall report has been issued to management, who have confirmed that that the points raised will be shared with schools through phase meetings. Significant assurance.
Provision of Support Services in Schools.	20		Ongoing advisory work in respect of the reshaping of the tender for these services due to the changing market.

Area/system	Days	Final report issued	Status/assurance level given
<b>OP4: Subtotal</b>	<b>200</b>		
<b>OP5: The Environment</b>			
PFI Waste Contract	20		Terms of reference has been issued.
Highways Maintenance Contract - Monitoring Arrangements	30		Draft report issued.
Design Services Contract – Term Shared Professional Services Contract	20	November 2014	Final report issued. Limited.
Evesham Abbey Bridge	20		Discussions have been held with the Director of Business, Environment and Community, the contract is currently under dispute therefore it is considered not appropriate to audit at this stage in the process. Transferred to 2015/16 Audit Plan.
<b>OP5: Subtotal</b>	<b>90</b>		
<b>OP6: Health and Wellbeing</b>			
Direct Payments	20		Planned for March 2015.
Delayed Transfer of Care	35		Fieldwork in progress.
Responsibilities for Community Safety	10		Work in progress, questionnaires have been sent to other County Councils to determine the work carried out by them in this area.

Area/system	Days	Final report issued	Status/assurance level given
Public Health Ring Fenced Grant	30	October 2014	Final report issued. Significant.
Care and Support Planning	20		<p>Internal Audit has signed the Memorandum of Understanding in respect of the Care Bill Implementation Grant 2014/15. Internal Audit have also been made aware of the first stocktake, the purpose of the stocktakes are to help local authorities assess readiness to implement their statutory duties under the Care Bill from April 2015 and to benchmark themselves against their peers.</p> <p>A draft report has been issued in respect of work carried out to ensure there are sound processes in place for setting up the new pre-payment cards.</p>
DASH Savings Plans	20	January 2015	Final report issued. Significant.
<b>OP6: Subtotal</b>	<b>135</b>		
<b>TOTAL OP1 to OP6</b>	<b>1520</b>		

## 5. Appendix 2: Assurance Definitions

<b>Overall Audit Opinion</b>	
Full assurance	Full assurance that the system of internal control meets the organisation's objectives and controls are consistently applied.
Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weaknesses in the design or inconsistent application of controls put the achievement of some objectives at some risk.
Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in some of the areas reviewed.
No assurance	No assurance can be given on the system of internal control as weaknesses in the design and/or operation of key control could result or have resulted in failure(s) to achieve the organisation's objectives in the area(s) reviewed.

The recommendations arising from the individual audit reviews are ranked according to their level of priority as follows:

<b>High</b>	This is essential to provide satisfactory control of serious risk(s)
<b>Medium</b>	This is important to provide satisfactory control of risk
<b>Low</b>	This will improve internal control

## 6. Appendix 3: Summary of Recommendations (final reports only)

Assignment	High	Medium	Low	Total	Overall opinion
<b>Work relating to 2013/14</b>					
Open for Business – Partnership Arrangements	3	6	3	12	Limited
Joint Commissioning Unit – Contract Management (Residential & Nursing Care)	2	4	0	6	Limited
Pension Administration	2	6	0	8	Significant
Future Fit – Benefit Realization	3	2	0	5	Significant
Payroll	0	2	0	2	Significant
Children's Social Care	5	6	2	13	RAG rating
Commissioning of Out of Area and High Cost Placements (Adults)	3	6	2	11	Limited
Worcestershire Local Enterprise Partnership (LEP)	4	3	0	7	Limited
Debtors 2013/14	1	4	1	6	Significant
IEWM	0	8	2	10	Significant
<b>Total</b>	<b>23</b>	<b>47</b>	<b>10</b>	<b>80</b>	
<b>Work Relating to 2014/15 (QTR 1 2 and 3)</b>					
Business Rates Pool	0	0	1	1	Full
Daily banking – Audit Banking Log	4	3	0	7	RAG rating
School Themed Audits, Individual Procurement Card Audits:	7	13	6	26	Significant
Fort Royal Community Primary	0	2	2	4	N/A
Birchensale Middle	0	1	1	2	N/A
Alvechurch Middle	0	0	4	4	N/A
Charlford First	0	1	2	3	N/A

Assignment	High	Medium	Low	Total	Overall opinion
North Bromsgrove High	2	2	0	4	N/A
Oldbury Park	3	2	0	5	N/A
Pitmaston	1	4	0	5	N/A
St Andrews	1	2	2	5	N/A
St Clements	1	3	2	6	N/A
St Georges	6	9	0	15	N/A
Worcestershire Councillor's Divisional Fund - WCDF	0	3	5	8	Significant
Not in Education, Employment or Trainings (NEETS)	1	4	1	6	Limited
Procurement Audit:					
Procurement - Street lighting	2	2	1	5	N/A
Procurement – Stop Smoking	0	3	0	3	N/A
Procurement - Family Group Conferencing	0	0	1	1	N/A
Procurement – Stronger Families	0	2	0	2	N/A
Public Health Ring Fenced Grant	0	1	0	1	Significant
Computer Recycling	3	7	2	12	Limited
IT Risk Diagnostic	0	0	0	0	N/A
IT Disaster Recovery	2	2	0	4	Limited
IT Data Centre Operations and Security	3	3	2	8	Significant
IT Strategy	0	2	6	8	N/A
Crofter's Close	N/A	N/A	N/A	N/A	N/A
Councillors' ICT allowance	2	5	2	9	Significant
Design Services Contract – Term Shared Professional Services Contract	5	9	1	15	Limited
Travel and Subsistence -	0	12	3	15	Significant

Assignment	High	Medium	Low	Total	Overall opinion
Employees					
Use of Agency Staff	1	10	3	14	Limited
ICO	N/A	N/A	N/A	N/A	Significant
DASH Savings Plan	0	6	1	7	Significant
VAT	0	1	0	1	Significant
School Themed Audits, Individual Safeguarding Audits:	3	5	3	11	Significant
Abbey Park Middle	0	2	1	3	N/A
Bewdley High	0	2	1	3	N/A
Catshill Middle	0	0	1	1	N/A
Callow End Primary	0	2	0	2	N/A
Claines Primary	1	4	1	6	N/A
Cookley Sebright Primary	0	4	0	4	N/A
Great Witley Primary	0	2	1	3	N/A
Hartlebury Primary	0	1	0	1	N/A
Bewdley Primary	0	2	0	2	N/A
Whittington Primary	0	4	0	4	N/A
Schools Procurement follow up	7	6	0	13	Limited
Travel and Subsistence Councillors	1	1	1	3	Significant
Efficiency	0	2	4	6	Significant
Creditors	0	5	1	6	Significant
Debtors	0	5	3	8	Significant
<b>Total 1 April to 31 January 2015</b>	56	161	65	282	
<b>Total</b>	<b>79</b>	<b>208</b>	<b>75</b>	<b>362</b>	



## **7. Appendix 4: List of Internal Audits to be considered for Publication**

7.1. The following reports may be published following consideration of whether a report would require redaction prior to publishing, the Head of Legal and Democratic Services advice will be sought in respect of this. It should be noted to date that only Internal Audit reports where an opinion has been given have been published.

- 1 VAT
- 2 DASH Savings Plans
- 3 Creditors Payments
- 4 Debtors
- 5 Travel and Subsistence - Councillors
- 6 Efficiency
- 7 School Themed report - Safeguarding

## 8. Appendix 5: Follow Up of High Recommendations

Audit	Number of recommendations	Number due to be implemented	Number implemented	Number outstanding more than 2 months	Comments
Partnership Arrangements	3	3	0	3	There were some recommendations that were outstanding from a previous audit. A number of meetings have been held with the Worcestershire Partnership Officer and progress is being made towards implementation by the end of March 2015. It has been agreed that there will be a follow up in the first quarter of 2015/16 with a view to ensuring that the recommendations have been implemented.
One-time Vendors	1	1	0	0	Actions will be implemented by 31/1/15. This work stream has been on hold pending recruitment which is now in place to deliver this. To be followed up at half yearly review.
Pension Administration	2	2	0	0	To be followed up in current audit.
Local Enterprise Partnership (LEP)	4	4	2	0	To be followed up in current audit.
Children's Social Care	5	5	0	0	The report was a RAG rating report showing 5 red ratings (rather than high recommendations) where no documentary evidence was readily available in respect of preparedness for Ofsted Inspection. However the

					management response received states that in order to provide the most up to date information for the inspection some documents won't be uploaded until they receive confirmation of when the inspection will take place.
Future Fit - Benefit Realisation	3	3	0	0	Now due for implementation, to be followed up at half yearly review
Oldbury Park	3	3	3	0	Confirmation received that the recommendations have been implemented.
Procurement – Street Lighting	2	2	0	0	Now due for implementation, to be followed up at half yearly review.
Computer Recycling	3	3	0	0	Now due for implementation, to be followed up at half yearly review.
IT Disaster Recovery	2	1	0	0	One now due for implementation, to be followed up at half yearly review. One not yet due to be implemented.
Data Centre Operations	3	2	1	0	Two recommendations are now due to be implemented, to be followed up at the half yearly review. One not yet due to be implemented.
Not in Employment Education or Training(NEETS)	1	1	0	0	Now due for implementation, to be followed up at half yearly review
Councillors' ICT allowance	2	2	0	0	Now due for implementation, to be followed up at half yearly review

Agency Staff	1	1	0	0	Now due for implementation, to be followed up at half yearly review
Claines Primary	1	1	0	0	Now due for implementation, to be followed up at half yearly review
Design Services Contract	5	4	0	0	Four now due for implementation, to be followed up at half yearly review. One not yet due to be implemented.
Schools Procurement follow up	7	5	2	0	Now due for implementation, to be followed up at half yearly review
Travel and Subsistence Councillors	1	0	0	0	Not yet due for implementation.

## 9. Appendix 6: Summary of Limited Opinion Audits

9.1. For the audit detailed below, management has agreed with Internal Audit the course of action proposed to address the recommendations.

School Procurement  
Follow Up.

A follow up audit to the school themed audit on Procurement was conducted at one school.

A response has been received from the Head and Chair of Governors which demonstrates a clear commitment to implement the recommendations from the audit also meetings have been held with officers to ensure that Governors across all schools are aware of the issues that currently lead to an opinion of limited assurance.

This is currently judged to be limited assurance due to issues around evidencing value for money and lack of effective controls including:

- Concerns around the award of contracts and the failure to demonstrate best value.
- Insufficient detail to clearly identify actions, approvals and decisions taken.

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**Audit and Governance Committee**  
**20 March 2015****10. INTERNAL AUDIT COMMISSIONING UPDATE****Recommendation**

1. **The Chief Financial Officer recommends that the content of the Internal Audit Commissioning update report is noted.**

**Summary**

2. Members will recall that it was agreed at the meeting on 12 December 2014 that the Committee would be kept informed of the Commissioning arrangements for the Internal Audit function at this meeting. (Minute no. 330 refers).
3. A verbal update at the meeting explained that a number of options had been considered and that discussions were ongoing with a view to transferring Worcestershire County Council's Internal Audit Service to Warwickshire County Council.
4. A Business Case has been written which shows the main options and consequences of setting up a shared service hosted by Warwickshire County Council. There are financial advantages to both Councils and the suggested approach would mean that a lot more can be achieved than simply rationalising resources and reducing costs. An innovative partnership would open up opportunities for adding value, increased efficiency and service improvement for both authorities whilst providing a good foundation for marketing services to other local authorities and the wider public sector.
5. Both councils are in the process of agreeing a set of underlying commercial principles which cover a number of areas including contract period, level of audit coverage, payments, TUPE and the sharing of costs.
6. It is intended that both the business case and underlying principles will be agreed at officer level prior to obtaining member approval within both Council's.
7. It is emphasised that the proposal needs to be formally agreed by both Councils before the shared service can be confirmed. Warwickshire will formally consider the proposal at their 24 March Council meeting. Worcestershire anticipates the decision would be taken by the relevant Cabinet member under delegated powers and consequently there is more flexibility over timing of the approval at Worcestershire.
8. Following approval at officer level it is intended to start a

formal staff consultation process early in March 2015.

9. It is intended that once appropriate due diligence and staff consultation is complete and formal approval is obtained that the new arrangements will commence on 1 May 2015.

10. A verbal update will be provided at the meeting on the latest position regarding the above stages of the Commissioning process.

## **Contact Points**

### **Specific Contact Points**

Sean Pearce, Chief Financial Officer

Ext: 6268. Email: [spearce@worcestershire.gov.uk](mailto:spearce@worcestershire.gov.uk)

## **List of Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

The agenda papers and Minutes of the Audit and Governance Committee meeting on 12 December 2014.



**Audit and Governance Committee**  
**20 March 2015****11. WORK PROGRAMME****Recommendation**

- 1. The Committee is asked to note its future work programme and consider whether there are any matters it would wish to be incorporated.**

**Work Programme****26 June 2015**

Annual Statutory Financial Statements for the year ending 31 March 2015

Annual Governance Statement

Risk Management

Internal Audit Annual Report 2014/15

Internal Audit Risk Assessment and Plan 2015/16

**11 September 2015**

Internal Audit Progress Report 2014/15

Use of Consultants

**11 December 2015**

Internal Audit Progress Report 2015/16

External Audit Letter 2014/15

Counter Fraud Report 2015/16

**March 2016**

Internal Audit Progress Report 2015/16

External Audit Plan 2015/16

External Auditor's Report

**Other items yet to be timetabled:**

Backup and Restore Procedures

**Contact Points****Specific Contact Points**

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**List of Background Papers**

In the opinion of the proper officer (in this case the Director of Commercial and Change) the following are the background papers relating to the subject matter of this report:

Agenda and Minutes of this Committee from December 2005 onwards

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