

Agenda

Audit and Governance Committee

Friday, 26 June 2015, 10.00 am
County Hall, Worcester

This document can be made available in other formats (large print, audio tape, computer disk and Braille) on request from Democratic Services on telephone number 01905 728713 or by emailing democraticServices@worcestershire.gov.uk

If you can not understand the contents of this document and do not have access to anyone who can translate it for you, please contact 01905 765765 for help.

বাংলা। আপনি যদি এই দপিলের বিষয়বস্তু বুঝতে না পারেন এবং আপনার জন্য অনুবাদ করার মত পরিচিত কেউ না থাকলে, অনুগ্রহ করে সাহায্যের জন্য 01905 765765 নম্বরে যোগাযোগ করুন। (Bengali)

廣東話。如果您對本文檔內容有任何不解之處並且沒有人能夠對此問題做出解釋，請撥打 01905 765765 尋求幫助。 (Cantonese)

普通话。如果您对本文件内容有任何不解之处并且没有人能够对此问题做出解释，请拨打 01905 765765 寻求帮助。 (Mandarin)

Polski jeżeli nie rozumieją Państwo treści tego dokumentu i nie znają nikogo, kto mógłby go dla Państwa przetłumaczyć, proszę zadzwonić pod numer 01905 765765 w celu uzyskania pomocy. (Polish)

Português. Se não conseguir compreender o conteúdo deste documento e não conhecer ninguém que lho possa traduzir, contacte o 01905 765765 para obter assistência. (Portuguese)

Español. Si no comprende el contenido de este documento ni conoce a nadie que pueda traducirselo, puede solicitar ayuda llamando al teléfono 01905 765765. (Spanish)

Türkçe. Bu dokümanın içeriğini anlayamazsanız veya dokümanı sizin için tercüme edebilecek birisine ulaşamıyorsanız, lütfen yardım için 01905 765765 numaralı telefonu arayınız. (Turkish)

اردو۔ اگر آپ اس دستاویز کی مشمولات کو سمجھنے سے قاصر ہیں اور کسی ایسے شخص تک آپ کی رسائی نہیں ہے جو آپ کے لئے اس کا ترجمہ کر سکے تو، براہ کرم مدد کے لئے 01905 765765 پر رابطہ کریں۔ (Urdu)

كوردی سۆزانی. ننگەر ناتوانی تێبگدی له ناوهرۆکی نهم بێلگهیه و دهمستت به ههچ کهم ناگات که و بیهێگریتوه بۆت، تکایه تهلغۆن بکه بۆ ژمارهی 01905 765765 و داوای رهنۆینی بکه. (Kurdish)

ਪੰਜਾਬੀ। ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਮਸ਼ਹੂਨ ਸਮਝ ਨਹੀਂ ਸਕਦੇ ਅਤੇ ਕਿਸੇ ਅਜਿਹੇ ਵਿਅਕਤੀ ਤੱਕ ਪਹੁੰਚ ਨਹੀਂ ਹੈ, ਜੋ ਇਸਦਾ ਤੁਹਾਡੇ ਲਈ ਅਨੁਵਾਦ ਕਰ ਸਕੇ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਮਦਦ ਲਈ 01905 765765 'ਤੇ ਫ਼ੋਨ ਕਰੋ। (Punjabi)

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 3rd 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, 26 June 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

Item No	Subject	Page No
1	Named Substitutes	
2	Apologies/Declarations of Interest	
3	Public Participation <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 25 June 2015). Further details are available on the Council's website. Enquiries can be made through the telephone number/e-mail address below.</i>	
4	Confirmation of Minutes To confirm the Minutes of the meeting held on 20 March 2015. (previously circulated – pink pages)	
5	Annual Statutory Financial Statements for the year ending 31 March 2015	Report to follow.
6	Annual Governance Statement	1 - 6
7	Corporate and Transformation Risk Report	7 - 18
8	Internal Audit Annual Report 2014/15	19 - 42
9	Internal Audit Risk Assessment and Plan 2015/16	43 - 62
10	Internal Audit Commissioning Update	63 - 64
11	Work Programme	65 - 66

Agenda produced and published by Simon Mallinson, Head of Legal and Democratic Services, County Hall, Spetchley Road, Worcester WR5 2NP

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, 17 June 2015

This page is intentionally left blank

Audit and Governance Committee

26 June 2015

6. ANNUAL GOVERNANCE STATEMENT

Recommendation

1. **The Chief Executive recommends that the Annual Governance Statement be approved.**

Background Information

2. The Accounts and Audit Regulations 2011 require the County Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) each year with the Authority's financial statements.

Responsibility for the review and approval of the AGS has been delegated to this Committee.

3. The purpose of the AGS process is to provide a continuous review of the effectiveness of internal control and risk management systems so as to obtain assurance of their effectiveness.

4. This assurance is obtained from reliance on signed certificates from each Head of Service, and in turn from each Chief Officer.

5. In preparing their own assurance certificate, each Chief Officer has confirmed:

(a) that the Corporate Plan adequately identifies the principal statutory obligations and organisational objectives that fall within their responsibilities;

(b) that these are reflected appropriately and managed in their Directorate Risk Registers; and

(c) the extent to which their internal control systems were effective during the year.

Any issues arising have been reflected where appropriate in the AGS.

6. The Annual Governance Statement confirms the overall assurance of the Council's systems and has been signed by the Chief Executive and Leader of the Council and is attached as an appendix.

Supporting Information

Annual Governance Statement – Appendix

Contact Points

Contact Points for this Report

Clare Marchant, Chief Executive (01905 6100) Email:

Background Papers

cmarchant@worcestershire.gov.uk

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

Statement of Accounts 2014/15

Annual Governance Statement

1. Scope of responsibility

Worcestershire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

2. The purpose of the governance framework

The governance framework comprises systems and processes for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

3. The governance framework

Service planning

The Council's planning process links corporate aims and objectives with service policies and priorities to the responsibilities of individual staff.

The Corporate Plan – Future Fit is a single document setting out the County Council's vision and overall strategic direction. The Corporate Plan - Future Fit is developed by the Leader of the County Council after each main County Council election to reflect the strategic priorities of the ruling party/parties or where there has been a significant change in the environment within which the County Council operates and approved by full council. Against each key area of focus the Plan identifies a number of key aims and targets, which are managed through the quarterly Balanced Scorecards. Responsibility for achieving these lies with individual directorates, and relevant aims and targets are included in individual service delivery plans. Progress against the Corporate Plan - Future Fit is monitored and reported to councillors on a monthly basis. Updates take account of achievements against the Plan and any new information that needs to be included.

Statutory plans, as prescribed by Central Government, and Service Delivery Plans, which cover areas of service not covered by statutory plans, provide strategic direction and contain aims and objectives for individual services. They have a clear link to the Corporate Plan - Future Fit and contain aims and targets based directly on corporate policy priorities, as well as others reflecting additional service policy priorities. Progress against service delivery and statutory plans is managed through Cabinet Members with Responsibilities. Responsibility for producing service delivery and statutory plans rests with chief officers. Service delivery plans are produced on an annual basis and include the setting of performance improvement targets.

Compliance with Statutes and established policies and procedures is ensured through the Officers' Scheme of Delegation as set out in the Constitution and also the appointment of separate individuals to the posts of Head of Paid Service, Monitoring Officer and Chief Financial Officer each of whom has specific statutory responsibilities relating to the governance of the County Council. The Scheme of Delegation sets out general delegations and responsibilities which all Chief Officers have and those specifically delegated to a particular Chief Officer. The Scheme also contains restrictions on the way officers carry out their functions. The County Council also publishes an Officers' Code of Conduct as part of the Constitution which applies to all officers of the County Council.

Risk management is about the identification, analysis and control of threats or events that adversely affect the achievement of the County Council's strategic and operational objectives. It is also the successful management of the controlled environment in which the decision making process is undertaken, such that

positive risks are taken in order to innovate and improve service provision. The Risk Management Strategy details the methodology for evaluating corporate risk management arrangements.

Financial management

The County Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Chief Financial Officer is a member of the Strategic Leadership Team and helps to develop and implement strategy and deliver the County Council's strategic objectives sustainably and in the public interest. Finance staff are actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the County Council's financial strategy. The Chief Financial Officer leads the promotion and delivery by the whole organization of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

The County Council has a four year rolling Medium Term Financial Plan (MTFP) which is used to inform the annual budget setting process. The MTFP is updated annually as part of the budget setting process.

The Constitution formally sets out parameters for the financial management of the County Council and Service Directors are responsible for budgetary control within their services. Budget monitoring reports are routinely considered by both officers and elected members. In addition there are a range of national indicators against which services are monitored during the year and the results are published on an annual basis.

Balanced Scorecard

The Balanced Scorecard is used to show the relationship between the intended outcomes of the Corporate Plan - Future Fit with the vital finance, workforce and process measures that support their delivery. The indicators have been specifically designed to reflect the needs of the County Council rather than meet central government requirements, following consultation with a focus group of residents. The Balanced Scorecard is available to the public via the County Council's website to improve accountability to local communities. Performance is measured and reported internally on a quarterly basis and publicly every six months.

Political structure

The County Council has adopted a Leader and Cabinet executive governance model. The executive consists of the Leader of the County Council and other appointed councillors and is described as the Cabinet. The Cabinet is responsible for most day to day County Council decisions. Cabinet make decisions in line with the overall policies, priorities and budget set by the County Council. Political decisions on executive functions are generally taken by the Cabinet collectively. No individual members of the Cabinet have (as yet) standing general delegated powers to make formal decisions within their portfolio on behalf of the Cabinet, but an increasing number are being given specific delegated powers by the leader or Cabinet on particular topics. Cabinet also considers and responds to reports and recommendations from the Overview and Scrutiny Performance Board.

Cabinet members have specific areas of responsibility:

- Finance
- Environment;
- Localism and Communities;
- Children and Skills;
- Economy, Skills and Infrastructure;
- Adult Social Care;
- Health and Well-being;
- Highways;
- Transformation and Commissioning

The full Council comprises all elected members and is responsible for agreeing the overall Policy Framework for all services, including the County Council budget. The County Council also elects the Leader of the Council and establishes the other (non-executive) committees and panels of the County Council. The Chief Executive, Head of Legal & Democratic Services and the Chief Financial Officer can also submit reports to the full Council.

The Overview and Scrutiny Performance Board is made up of eight Councillors who are not on the Cabinet, plus two Church Representatives and two Parent Governor Representatives (for Education matters). Its main role is to assist in policy development, scrutinise the work of the County Council and agree the scrutiny programme for endorsement by full council. The Board will commission scrutiny through itself, the Scrutiny Panels or time-limited Scrutiny Task Groups.

The Audit and Governance Committee supports effective corporate governance and gives assurance to the County Council and the public on financial and performance issues, risk management and other relevant controls. The Audit and Governance Committee considers and approves the annual statement of accounts on behalf of the County Council, considers the audit plans of both internal and external auditors and comments on their reports.

Members are covered by a Code of Conduct that sets out the rules governing their behaviour. The Code covers areas of individual behaviour, disclosure of interests and withdrawal from meetings where Members have relevant interests. The Standards & Ethics Committee promotes and maintain high standards of conduct by members, and can adjudicate on relevant complaints. Members register their Disclosable Pecuniary Interests and all Declarations of interest are recorded.

4. Review of Effectiveness

This review of the effectiveness of the governance framework is informed by assurances provided by Directors and the Chief Financial Officer within the County Council who have responsibility for the development and maintenance of the internal control environment, the comments made by the external auditors and other review agencies and inspectorates and also the work of the internal auditors.

Each Directorate has in place a risk register which records the major risks facing the Directorate and assesses the potential impact of those risks. Registers are reviewed and added to during the year to reflect service changes. Within each Directorate there are also operational controls that are used on a day-to-day basis to control the delivery of services, none of which disclosed any significant weaknesses in control during the year.

Business continuity is well established within the County Council, is reviewed regularly within all Directorates and this is co-ordinated by the Corporate Risk Management Group chaired by the Risk and Business Continuity Manager.

The County Council has not been notified of any significant weaknesses from any independent annual inspections during the year, e.g. by the Care Quality Commission and OFSTED for example.

In writing this statement reliance has been placed upon the Directors, the Chief Financial Officer and their management teams who have provided reports relating to the application of the appropriate controls. Also statutory duties placed upon the Monitoring Officer and the Chief Financial Officer requires them to draw to Members' attention improper practices or financial imprudence. Internal Audit carried out 67 audits in 2014/15, 8 of which given limited assurance. No issues have been reported that indicate that the organisations control environment has been materially compromised. The Audit and Governance Committee receive reports on these audits. In all cases, either actions have already been implemented to address weaknesses identified or where actions remain outstanding, the area of limited assurance does not impact materially compromise those controls in place within the County Council.

The process of review of financial systems by the internal audit section is continuous. Regular budget monitoring reports have been presented to Members during the year and have confirmed that expenditure is within cash limits.

The County Council has contractual arrangements to govern its relationship with the majority of the organisations with which it deals. A key partner in the delivery of services is the Worcestershire Partnership Executive Group, which brings together local government, public services such as health, learning providers, police and voluntary and community organisations within Worcestershire. The role of the Partnership is to develop and deliver a vision for the future of Worcestershire that meets the aspirations of local people and which promotes the social, economic and environmental well-being of Worcestershire.



Chief Executive

Date:

10/6/15



Leader of the County Council

10/06/15

Audit and Governance Committee
26 June 2015**7. CORPORATE AND TRANSFORMATION RISK REPORT****Recommendation**

1. The Audit and Governance Committee is requested to:

- a) consider the latest refresh of the Corporate and Transformation Risk Registers (Appendix 1); and
- b) note red risks and mitigating actions.

Background Information

2. In the current economic climate with severe pressures on funding for services and the need for greater efficiencies means that sound corporate governance and good decision making are paramount. Risk management is an integral part of corporate governance and can be used as a tool which can assist the council in meeting its key outcomes.

3. The Corporate and Transformation Risk Registers provide a mechanism for the collation and reporting of the strategic risks that could impact the delivery of corporate objectives.

4. The risks identified are closely monitored within directorates and fed into the corporate process to provide assurance to Members and management on the adequacy of arrangements and the use of resources.

Supporting Information

- Appendix – Corporate Risk Update

Contact Points**County Council Contact Points**

Lisa Peaty, Business Planning and Performance Manager
LPeaty@Worcestershire.gov.uk

Will Fotheringham, Risk and Business Continuity Manager
WFotheringham@Worcestershire.gov.uk

List of Background Papers

In the opinion of the proper officer (in this case the Business Planning and Performance Manager) the following are the background papers relating to the subject matter of this report:

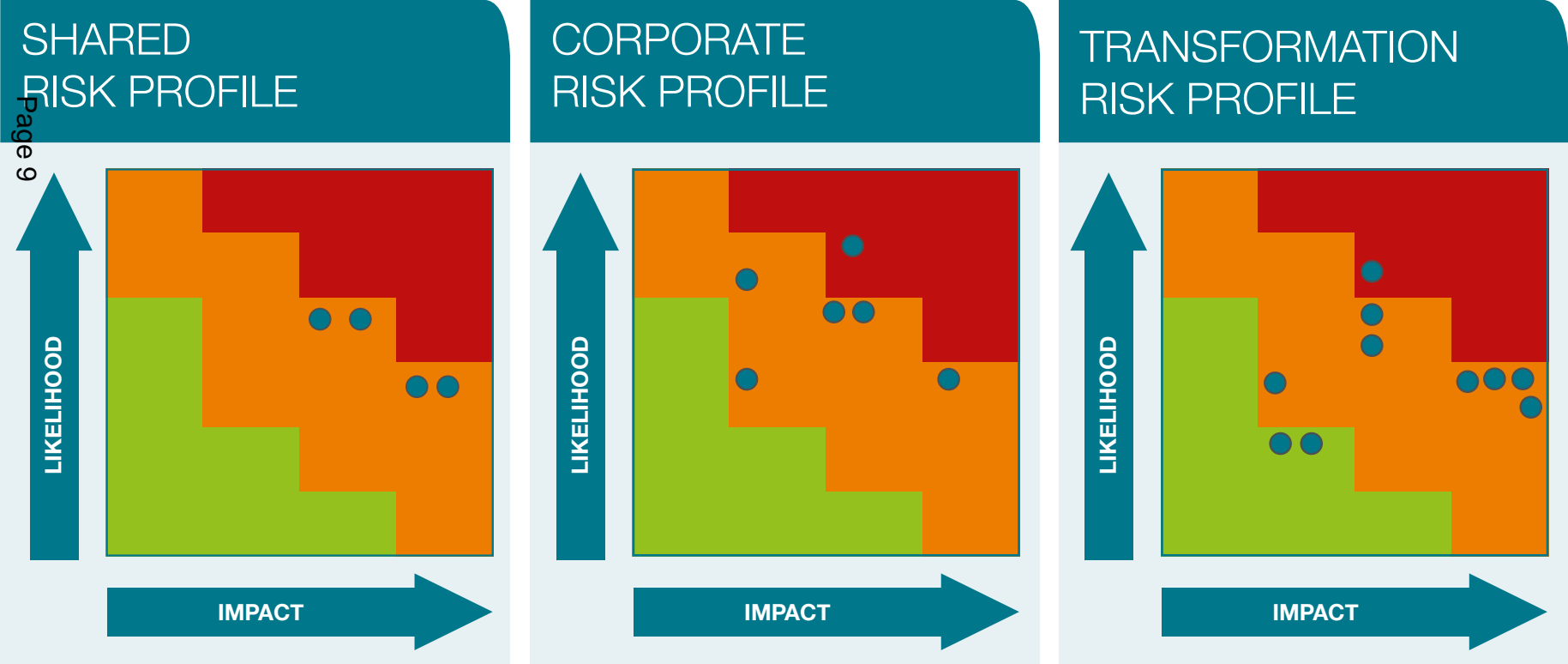
WCC Corporate Risk Register
WCC Transformation Risk Register

This page is intentionally left blank

CORPORATE RISK MANAGEMENT UPDATE

Q4 2014/15

The Council's approach to risk management captures the key strategic risks to the delivery of corporate objectives and provides a context through which directorates construct their own risk assessments to inform decision making about business planning, transformation and service delivery. It focuses on two risk registers – Corporate and Transformation – which have four Shared Risks



SHARED RISKS

↔ Failure to maintain business as usual / appropriate levels of service at the same time as transformation

↔ Failure to deliver financial savings identified in Medium Term Financial Plan

↔ Failure to deliver a major project leading to increased costs, reputational damage to the Council and/or failure to realise savings

↔ Serious harm or death due to a failure on the part of the Council

SHARED RISKS

The risks have not changed in status during this reporting period but substantial activity has taken place to mitigate against each risk. The following highlights some of the activity implemented to mitigate the Shared Risks.

Failure to maintain business as usual / appropriate levels of service at the same time as transformation - this risk is classified as amber as opposed to red as only COaCH has identified risks to their current savings targets – this represents just 8% of the current savings profile.

- Staff Appraisal processes used as a mechanism for managing performance and identifying any skills/competency gaps to ensure business as usual can be delivered. Staff Appraisal completion monitored through Balanced Score Card: WCC. 91.54%.
- Streamlining of reporting lines and governance Boards within Children's Services with the creation of an overarching Children's Services Business Board which has oversight of Business As Usual performance and delivery alongside transformation and FutureFit strategies as well as an Improvement Board to oversee the Social Care Improvement Plan and wider corporate transformation investment.
- Sickness absence management action plan agreed for 2015/16 focussing on Adult Social Care in particular
- BEC Technical Project Management Capability and Capacity health check currently underway
- Transformation Fund.

Failure to deliver financial savings identified in Medium Term Financial Plan - this risk is reported as Amber although there are 9 individual projects that have financial risks attached to them, but these risks are being managed at Programme level.

- Monthly review of financial savings at Corporate Business Board and reported through dashboard
- Future Fit Programme Plan reviewed at Business, Environment and Community Leadership Team and savings target gap reviewed
- Children's Services produces a weekly update on the cost implications of Looked After Children starters and ceases that week and overall Looked After Children spend / forecast spend to year end and compares this with planned financial implications of starters and leavers and action plan
- Work continuing on Worcestershire Information Network project to assist in delivery of budget holder self-service.


Failure to deliver a major project leading to increased costs, reputational damage to the Council and/or failure to realise savings - this risk is amber as it relates to service projects as opposed to transformational projects e.g. Infrastructure projects.


- Risk registers maintained for all projects and reviewed monthly and project milestones tracked through Directorate programme management and fed into Future Fit Dashboard.
- Highways & Fleet Maintenance Design Contracts monthly progress meetings.
- Further detailed work undertaken on new social work processes, pathways and required infrastructure including staffing.
- Business, Environment and Community Major Projects Programme Board approving and monitoring all schemes plus additional Steering Group / Major Projects Review forum established and operational.

Serious harm or death due to a failure on the part of the Council

- Safeguarding Children Peer Review took place in April 2015, which identified a number of areas for improvement as well as some key strengths
- Briefings on Safeguarding under the Care Act delivered to front line staff and managers
- Children's Social Care Workforce Development Plan in place alongside Continued Personal Development online database
- Safeguarding learning and development to be included in all staff appraisals for front line staff and managers within Adult Services and Health.

CORPORATE RISK PROFILE

 Failure to comply with legislation and statutory duties

 Failure to effectively store, manage and process information and maintain the security of the personal data we hold, (or our partner agencies and commissioned providers hold on our behalf) in compliance with the Data Protection Act

 Demographic changes lead to changed demand for Services

 Failure to effectively manage the Council's premises

 Ineffective Emergency Response arrangements

 Ineffective Business Continuity arrangements – Business Continuity arrangements need to keep pace with transformation and assurances in place for the arrangements of commissioned services

DEMOGRAPHIC CHANGES LEAD TO INCREASED DEMAND FOR SERVICES

Q4 2014/15

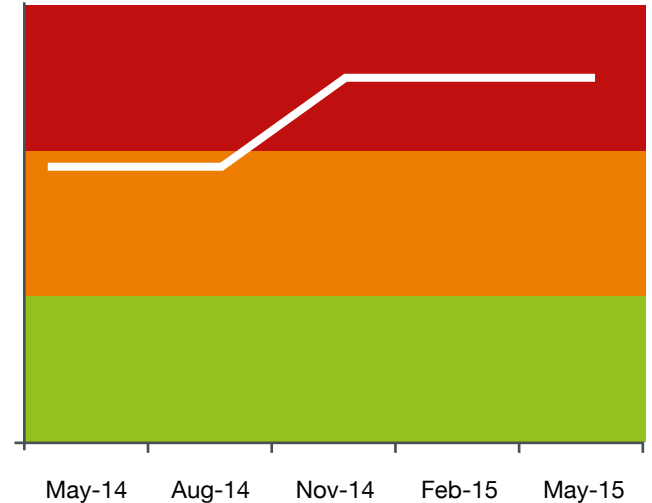
WHY IS THE RISK RED?

- There is a need to better understand the future demand for services from a changing demographic profile such as an aging population or changes to the needs of children and families

Page 14

MITIGATING ACTIONS

- Forecasting work to identify and understand future pressures e.g. Joint Strategic Needs Analysis
- Directorate level work to mitigate pressures and look at internal allocation of resources
- Children's Services use Office of National Statistics population forecasts, pupil number forecasts and forecasts of key groups of service users (e.g. Looked After Children) used to predict demand and to design and commission services – a number of ongoing initiatives in relation to Looked After Children
- Council level work on overall allocation of resources e.g. through Corporate Strategy Week
- Budget monitoring processes / savings plans reviews
- Digital Strategy implementation to support demand.



WHAT NEXT?

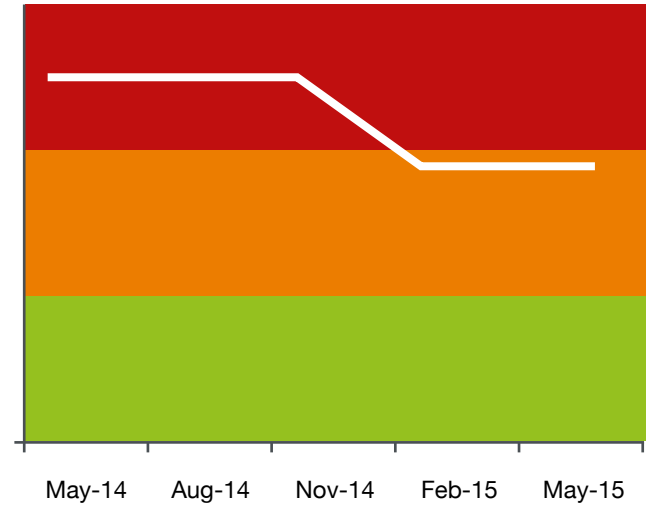
- Development of Corporate Demand Management 2020 Theme
- Research focused on forecasting and demand management to better understand future requirements
- Strategic planning reviews aligned to a robust infrastructure development plan.

FAILURE TO EFFECTIVELY STORE, MANAGE AND PROCESS INFORMATION AND MAINTAIN THE SECURITY OF THE PERSONAL DATA WE HOLD, (OR OUR PARTNER AGENCIES AND COMMISSIONED PROVIDERS HOLD ON OUR BEHALF) IN COMPLIANCE WITH THE DATA PROTECTION ACT

Q4 2014/15

WHY IS THE RISK AMBER?

- The risk has reduced from Red to Amber due to the implementation of the recommendations provided by the Information Commissioners Office following their visit in 2014













MITIGATING ACTIONS

- Corporate Information Governance Board and Group in place to oversee arrangements
- Implementation Plan to address Information Commissioners Office recommendations
- Information Sharing Protocols in place
- Staff training in relation to Data Protection and Freedom of Information
- Roll out of information security sweeps across all directorates
- Data Security incident reporting and escalation process in place across all directorates
- Review of all Information Governance Policies
- Communications Plan to engage with staff
- Information Governance Risk Register introduced

WHAT NEXT?

- Complete implementation of Information Commissioners Office recommendations
- Continue to communicate with staff on the importance of information security
- Prepare an update report for the Information Commissioners Office return visit in July

TRANSFORMATION RISK PROFILE

-  Implementing change programmes within timescale and at the desired pace
-  Cost of redundancies (being understood and accounted for in initial business case development)
-  Ineffective or lack of capacity in commissioning, procurement and contract management
-  Pensions impact when commissioning services being understood early in projects and consistently across the organisation
-  Inability of Children's Social Care to deliver savings targets due to pressures on placements and staffing budgets whilst maintaining safeguarding of children and young people
-  The risk of a drop in performance and standards due to the scale of the change of moving from an in-house provider of Learning and Achievement services to commissioning services from the market whilst maintaining service delivery
-  Continued saving reductions from commissioned Early Help provision whilst work still developing may make it unviable and ineffective as a service
-  Inability to extract from current service model for Adult Social Care resulting in cost pressures. In order to make changes required we will need to disinvest in services / structures and processes. This may become challenging from a financial / contractual and operational perspective.
-  Inability to secure cultural change and engagement for the Future Lives programme
-  Inability to re-engineer processes and systems so that they are fit for a lean and transformed council

TRANSFORMATION RISK

INCREASED TO RED
SINCE LAST REPORT

INABILITY OF CHILDREN'S SOCIAL CARE TO DELIVER ALL OF THE AGREED SAVINGS TARGETS IN 2016/17-2017/18

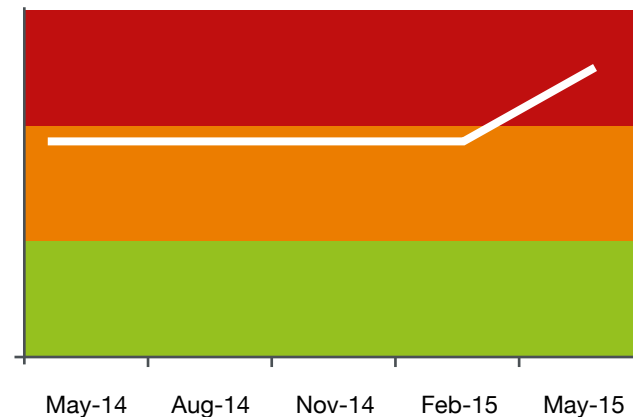
Q4 2014/15

WHY IS THE RISK RED?

- Continued in-year pressures on placements and staffing budgets whilst maintaining safeguarding of children and young people put the achievement of all savings targets from 2016/17 onwards highly unlikely

MITIGATING ACTIONS

- Back to Basics Improvement Plan implemented and Improvement Board established to oversee progress.
- Detailed in year financial position, risk assessed and fully costed and reported to Senior Leadership Team and Cabinet Member with Responsibility
- Regular financial information on Action Plan progress alongside net change to financial position produced
- Corporate Transformation Investment support delivered £1034k savings/cost avoidance in first 6 months. So far in 2015/16 £145k has been avoided with a plan to avoid c£1.8m by the year end. KPI's continue to be monitored through monthly Senior manager meetings and Children's Services Business Board
- Recruitment and Retention Strategy, led by Human Resources, in place to reduce agency spend & keep experienced social workers within the Local Authority
- Looked After Children Action Group meeting monthly and Looked After Children Panel meeting weekly to track spend on placements and identify opportunities to improve outcomes for children/young people whilst delivering efficiencies e.g. Emotional Behavioural Difficulties Units. Monthly Children's Services Business Board to track spend and monitor progress
- Children's Services Social Care split into 3 service areas with separate HoS oversight/management



WHAT NEXT?

- Back to Basics Safeguarding Improvement plan in place focusing on first 5 (of 10) practice standards - once achieved service will focus on 6-10
- Medium term costed plan for Social Care Placements to be reported to Corporate Business Board in July
- Full appraisal of all staffing costs and budgets for social care to be reported in to Corporate Business Board in July
- Consider reducing savings targets with Corporate Business Board to feed into Corporate Strategy Planning
- Children's Services Business Board oversight of Looked After Children Action Plan and Edge of Care prevention progress towards in-year savings targets

This page is intentionally left blank

Audit and Governance Committee
26 June 2015**8. INTERNAL AUDIT ANNUAL REPORT 2014/15****Recommendation**

1. **The Chief Financial Officer recommends that the Internal Audit Annual Report 2014/15 set out in the Appendix is endorsed.**

Background Information

2. The Annual Report presents a summary of internal audit work undertaken during 2014/5 and specifically:
 - Gives an opinion on the overall effectiveness of the Council's control environment and the extent to which the Council can rely on the opinion
 - Makes reference to any issues relevant to the Annual Governance Statement.
3. During the year there have been a number of areas where internal audit have identified the need to strengthen individual control processes.
4. Internal Audit continues to work with the Audit and Governance Committee and management to improve risk management, control and governance processes.
5. The detailed report is set out in the Appendix to this report.

Supporting Information

Appendix – Internal Audit Annual Report 2014/15

Contact Points

County Council Contact Points
Sean Pearce, Chief Financial Officer
Ext: 6268 Email: 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:

This page is intentionally left blank

May 2015

**Worcestershire County Council Draft Internal Audit
Annual Report
2014/15**



Distribution List

Audit and Governance Committee

Contents

Section	Page
1. Background and Scope.....	3
2. Our Annual Opinion	3
3. Internal Audit Work Conducted	5
4. Limitations and Responsibilities	8
5. Appendix 1: Annual Assurance Levels and Risk Ratings	10
6. Appendix 2: Results of Individual Audit Assignments.....	11
7. Appendix 3: Summary of Key Findings	15
8. Appendix 4: List of Internal Audits to be considered for Publication	22

1. Background and Scope

Background to this report

- 1.1. The Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011 requires the Head of Internal Audit to provide a written report to those charged with governance timed to inform the organisation's Annual Governance Statement (AGS). The purpose of this report is to present our annual opinion of the adequacy and effectiveness of the Council's system of internal control. This report is based upon the work agreed in the annual internal audit plan and conducted during the year.
- 1.2. Whilst our report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit was agreed with the Audit and Governance Committee and presented in the Annual Internal Audit plan, with subsequent amendments being reported to the Audit and Governance Committee. Our opinion does not supplant responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.
- 1.3. During 2014/15 a rigorous and robust investigation took place into a potential shared service arrangement with Warwickshire County Council. This proposal was subsequently agreed by both Councils and the shared service started on 1 May 2015. Those internal auditors employed by Worcestershire County Council transferred to Warwickshire County Council and the combined team now provides internal audit services to both County Councils and to their existing external clients.
- 1.4. This report covers the period from 1 April 2014 to 31 March 2015.

Acknowledgements

- 1.5. Internal Audit would like to take this opportunity to thank all staff for their assistance during the year.

2. Our Annual Opinion

Introduction

- 2.1. Internal Audit is required to provide those charged with governance with an opinion on the overall **adequacy and effectiveness** of the Council's:
 - Risk management
 - Control; and
 - Governance process

Collectively we refer to all of these activities in this report as “**the system of internal control**”.

- 2.2. Our opinion is based on the audit work performed as set out in our 2014/15 Internal Audit Plan agreed by the Audit and Governance Committee.

Annual opinion on the system of internal control

- 2.3. It is management's responsibility to develop and maintain a sound system of internal control, and to prevent and detect irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- 2.4. We have planned our work so that we had a reasonable expectation of detecting significant control weaknesses. However, internal audit procedures alone, although they are carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- 2.5. Whilst we are satisfied that the overall standard of internal control for the financial year ending 31 March 2015 is performing adequately, our work did offer a number of areas for improvement.
- 2.6. We have substantially completed the programme of internal audit work for the year ended 31 March 2015, subject to management responses being finalised and agreed for the following draft reports:
- Local Enterprise Projects
 - Payroll
 - Pensions
 - Bank Reconciliations
 - Cost of change- redundancy costs
 - Commissioning – Learning & Achievement
 - Future Operating Model
 - Freedom of Information Requests
 - PFI Waste.
- 2.7. We are liaising with management to finalise these reports.
- 2.8. Four audits are still in progress:
- Archaeology
 - Registrars
 - Community Safety
 - Growing Places Fund.
- 2.9. As in 2013/14 there were no areas receiving a 'No Assurance' opinion. There were 8 areas that were 'Limited Assurance', including one report that is currently at draft stage and therefore may be subject to change. This is a reduction compared to the 2013/14 figure (11). Management has agreed to implement a

number of recommendations that will improve the system of internal control and manage potential risks.

- 2.10. The Council has further work to do in these areas to address the control weaknesses identified. The issues identified within these areas that have resulted in our Limited Assurance opinion are specified within 'Summary of Key Findings' at Appendix 3 with the exception of the report that is currently a draft.
- 2.11. Therefore, on the basis of our conclusions, with the exception of the reviews detailed above, we are able to give **SIGNIFICANT** assurance on the design, adequacy and effectiveness of the system of internal control at the Council. This equates to the 2013/14 rating. We provide 'significant' assurance where we have identified mostly low and medium rated risks during the course of our audit work on business critical systems, but there have been some isolated high risk recommendations and / or the number of medium rated risks is significant in aggregate. The level of our assurance will therefore be moderated by these risks and we cannot provide a 'high' level of assurance. See Appendix 1 for the full list of available opinions and their definitions.
- 2.12. We have also provided support to the Council through our reviews and we have provided advice throughout the year to help improve controls and add value.

3. Internal Audit Work Conducted

Current year's internal audit plan

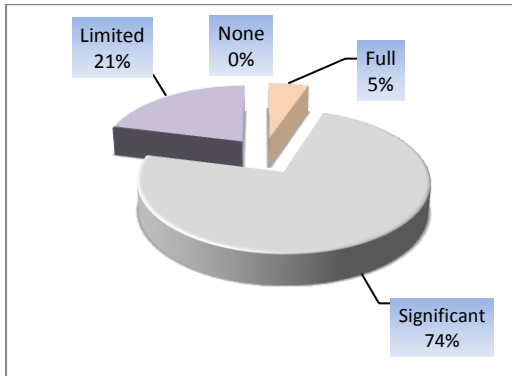
- 3.1. Our internal audit work has been conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) and the agreed Annual Internal Audit plan.
- 3.2. The key outcome of each individual audit is an identification of the inherent risks within the system and an overall opinion of the adequacy and effectiveness of the controls within the area audited. The opinions given ranging from the lowest to the highest are:
 - No assurance,
 - Limited assurance,
 - Significant assurance and
 - Full assurance.

Note that the opinions given on individual audits differ from those used for the overall annual opinion.

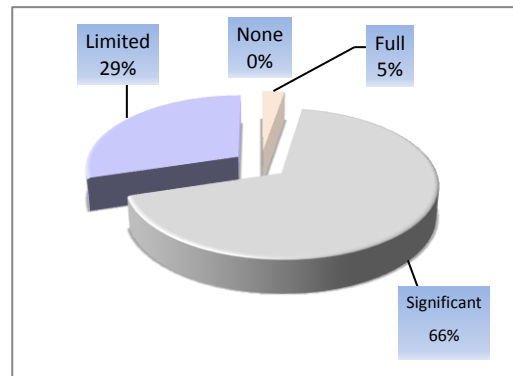
- 3.3. In recognition of the increasing amount of advisory work and Internal Audit's approach of being innovative and supporting change, a traffic light system (RAG status) has been introduced for some audits, to provide an indication to the client of current performance and to highlight areas that require further attention. The Audit and Governance Committee have been given regular reports during the year summarising audits undertaken.
- 3.4. The charts below show the assurance opinions given in 2014/15 compared to those in 2013/14. Our audit plan covers different areas each year, it is therefore not unexpected that these vary, however the assurance levels do give a

meaningful insight regarding the Council's control environment. A full list of assurance work is shown in Appendix 2.

Assurance Levels 2014/15

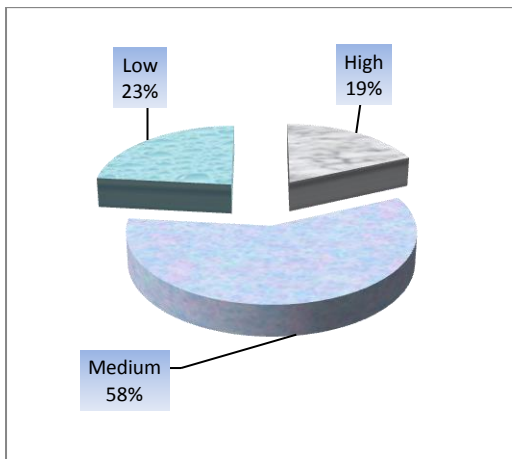


Assurance Levels 2013/14

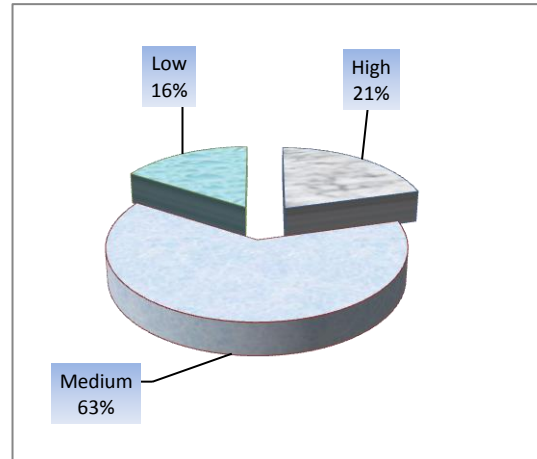


3.5. Recommendations are categorised to reflect the risk that they are intending to mitigate. This also assists managers in prioritising improvement actions. The categories used in increasing order of importance are low, medium and high. During the year 381 recommendations (495 during 2014/15) were made to improve control. The charts below show the comparison of internal audit recommendations made in 2014/15 and 2013/14.

3.6. Audit Recommendations 2014/15



Audit Recommendations 2013/14



3.7. In Appendix 3 we set out a summary of the key findings in relation to those areas where we have given only Limited Assurance for work carried out as part of the 2014/15 Internal Audit Plan.

3.8. At Appendix 4 we list those Internal Audits to be considered for publication.

Advice

- 3.9. Internal Audit tends to be most effective when advice is sought at an early stage in the planning of policy or system development.
- 3.10. Internal Audit meets regularly with directors and other senior staff to identify areas where such advice or input is required. This work reduces the issues that will be raised in future audits, contributes to a stronger control environment and allows the audit team to keep up to date with current and future challenges facing the directorates.
- 3.11. During 2014/15 the Audit and Governance Committee have been updated on a number of areas where Internal Audit has been involved in an advisory capacity.

Special investigations

- 3.12. The Audit Commission stated in their national report Protecting the Public Purse 2014 that fraud costs Local Government £2 billion a year, but this is probably an underestimate. Every pound lost through fraud cannot be spent on providing public services.
- 3.13. The Council does not appear to have a significant number of irregularities. However, the size and complexity of the Council means that it is inevitable that there will be a small number of irregularities to be investigated; any significant issues are reported to the Audit and Governance Committee.
- 3.14. A separate Counter Fraud audit report was submitted to the December Audit and Governance Committee detailing the work undertaken and planned by Internal Audit in respect of special Investigations and pro – active fraud activity.
- 3.15. The Fraud e-learning course since its inception in October 2013 has been completed by 623 out of a potential 3,500 employees.

Certification

- 3.16. Internal Audit has carried out work to check and certify a number of grant claims. These were all found to be satisfactory.

Risk management

- 3.17. Risk management plays a significant role in how the Council meets its challenges, and strives to achieve its business objectives. As a component of the Council's corporate governance framework, risk management provides a positive contribution towards the achievement of the Council's vision, aims and objectives by identifying risks and providing assurances that those risks are actively managed.
- 3.18. Internal Audit provides an annual independent, objective assessment/opinion of the effectiveness of the risk management and control processes operating within the Council which feeds into the Council's Annual Governance Statement.
- 3.19. Internal Audit also provides guidance as required on risk and control to the Corporate Information and Governance Board (CIGB), Corporate Information Governance Group (CIGG) and Corporate Risk Management Group (CRMG).

Delivery of internal audit plan 2014/15

3.20. The Audit and Governance Committee approved the 2014/15 audit plan on 27 June 2014. The plan was revised slightly during the year to take account of changes to the audit work required. We have now achieved 94% of the revised plan albeit there is some ongoing work to ensure that all reports are appropriately approved by management. The content of draft reports has been taken into account in forming the overall internal audit annual opinion.

Effectiveness

3.21. This section of the report sets out information on the effectiveness of the Internal Audit service and focuses on compliance with the PSIAS and the Local Government Application Note (LGAN), the Quality Assurance and Improvement Programme (QAIP) and customer feedback. The PSIAS code includes a detailed checklist against which effectiveness can be measured. Internal Audit carried out a self-assessment against the standards during 2013/14 and identified a number of areas for improvement in the form of a QAIP which were reported to Audit and Governance Committee in June 2014.

3.22. A review during 2014/15 shows that the majority of areas of non-compliance have now been implemented with the exception of 2 areas as summarised below:

- An Internal Audit Manual has been drafted but will now be replaced by Warwickshire County Council's Internal Audit Manual to reflect their procedures and policies.
- Improvements were required to ongoing performance monitoring of the audit service which should include comprehensive performance targets. These were being developed further and will now be formalised as part of the new arrangements with Warwickshire County Council.

There is a requirement for an external assessment of the service to be undertaken by people external to the internal audit activity with sufficient knowledge of internal audit practices and standards, at least every 5 years. This will be taken forward as part of the new service provision with Warwickshire County Council.

3.23. Following the completion of most 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 including audit planning, reporting and an overall assessment. It is pleasing that an average score of 4.4 (out of a maximum of 5) has been achieved. In addition a number of positive comments and compliments regarding Internal Audit work have been received during the year.

3.24. The PSIAS requires that there are appropriate quality controls around audit work carried out. There is a rigorous review around the work performed by audit staff including a post audit review which feeds into the staff review and development process.

4. Limitations and Responsibilities

Limitations inherent in the internal auditor's work

Internal control

- 4.1. Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems, these include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

- 4.2. The assessment of controls relating to Worcestershire County Council is as at 31 March 2015. The historic evaluation of effectiveness is not relevant to future periods due to the risk that:
- the design of controls may become inadequate because of changes in the operating environment, law, regulation or other; or
 - the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and of internal auditors

- 4.3. Management is responsible for maintaining appropriate risk management processes, internal control systems and governance arrangements i.e. the control environment and for the prevention and detection of irregularities and fraud. Internal audit review, appraise and report on the efficiency and effectiveness of these arrangements. We have planned our work so that we had a reasonable expectation of detecting significant control weaknesses and, if detected, we carried out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- 4.4. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Basis of our assessment

- 4.5. In accordance with the PSIAS, our assessment on risk management, control and governance is based upon the result of internal audits completed during the period in accordance with the plan approved by the Audit and Governance Committee. We have obtained sufficient, reliable and relevant evidence to support the assertions that we make within our assessment of risk management, control and governance.

Limitations in our scope

- 4.6. The scope of our work has been limited to those areas identified in our individual Terms of Reference.

5. Appendix 1: Annual Assurance Levels and Risk Ratings

Annual assurance levels

Level of Assurance	Description
High	We will provide 'high' assurance in our annual opinion where we have only identified low and medium rated risks during the course of our audit work on business critical systems.
Significant	We will provide 'significant' assurance in our annual opinion where we have identified mostly low and medium rated risks during the course of our audit work on business critical systems, but there have been some isolated high risk recommendations and / or the number of medium rated risks is significant in aggregate. The level of our assurance will therefore be moderated by these risks and we cannot provide a high level of assurance. This level was formerly described as Moderate but has been changed following comments by the Audit & Governance Committee when considering the 2013/14 report.
Limited	We will provide 'limited' assurance in our annual opinion where we have identified high or critical rated risks during our audit work on business critical systems, but these risks are not pervasive to the system of internal control <u>and</u> there are identifiable and discrete elements of the system of internal control which are adequately designed and operating effectively. Our assurance will therefore be limited to these elements of the system of internal control.
No	We will provide 'no' assurance in our annual opinion where we have identified critical rated risks during the course of our audit work on business critical systems that are pervasive to the system of internal control or where we have identified a number of high rated risks that are significant to the system of internal control in aggregate.

Definition of priority rating of recommendations within our individual audit assignments

Priority rating	Assessment rationale
● High	This is essential to provide satisfactory control of serious risk(s).
● Medium	This is important to provide satisfactory control of risk.
● Low	This will improve internal control

6. Appendix 2: Results of Individual Audit Assignments

6.1. We set out below the results of our work in terms of the number and relative priority of findings. A number of reports are awaiting management responses to either the draft or final report. These have been highlighted (*) for reference.

Assignment	High	Medium	Low	Total	Overall opinion
Business Rates Pool	0	0	1	1	Full
Daily banking – Audit Banking Log	4	3	0	7	RAG rating
School Themed Audit – Overall report	7	13	6	26	Significant
Individual Procurement Card Audits:					
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
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
Procured Service Delivery:	3	6	2	11	Limited
Procurement - Street lighting	2	2	1	5	N/A
Procurement – Stop Smoking	0	3	0	3	N/A
Procurement - Family Group	0	0	1	1	N/A

Assignment	High	Medium	Low	Total	Overall opinion
Conferencing					
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 - Employees	0	12	3	15	Significant
Use of Agency Staff	1	10	3	14	Limited
Data Information Security (Information Commissioners Office – follow up)	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 Audit – Overall report	3	5	3	11	Significant
Individual Safeguarding Audits:					
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

Assignment	High	Medium	Low	Total	Overall opinion
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
Corporate Governance	0	6	1	7	Significant
Risk Management	0	7	0	7	Significant
Insurance	0	0	1	1	Full
European Funding	0	1	1	2	Significant
Local Enterprise Projects*	1	4	1	6	Significant
Primary School Sports Grant	1	1	0	2	Significant
Highways Maintenance Contract – Monitoring Arrangements	0	6	2	8	Significant
Care Act – Pre – Payment cards	0	0	0	0	Significant
Payroll *	1	8	4	13	Significant
Pensions*	1	6	3	10	Significant
Bank Reconciliations*	0	0	2	2	Significant
Cost of change- redundancy costs*	1	1	1	3	Significant
Commissioning*	3	4	1	8	Limited

Assignment	High	Medium	Low	Total	Overall opinion
Learning and Achievement					
Future Operating Model*	1	3	2	6	Significant.
Freedom of Information Requests*	0	3	3	6	Significant.
PFI Waste Contract*	1	0	0	1	Significant.
Delayed Transfer of Care	1	5	0	6	Significant.
Total	70	222	89	381	

7. Appendix 3: Summary of Key Findings

- 7.1. We set out a summary of the key findings for those areas where we have given only Limited Assurance, all of which have previously been reported to the Audit and Governance Committee:

Audit review	Key issues
Not in Education Employment or Training (NEETS)	<p>The published 2012/13 NEET results for Worcestershire showed a NEET rate of 5.3%. However, it is difficult to be sure of the accuracy of this figure as for 39.3% of the cohort the Council was unable to confirm their NEET status. It should be noted that this places the Council as third highest in terms of the proportion of unknowns when compared against national peers. The point of focus for the audit review was therefore around the processes followed regarding the identification of NEET's.</p> <p>On the basis of the audit work undertaken, it was apparent that a number of the controls in place are operating effectively and there are a number of sound methodologies in place with regard to the identification and recording of the NEET cohort.</p> <p>The work is judged to be currently limited assurance due to :</p> <ul style="list-style-type: none">➤ Weaknesses in the current follow up and tracking arrangements which present a risk that the proportion of unknowns may continue to remain high;➤ It is recognised that the level of resources allocated to following up unknowns and NEET has been reduced due to budget constraints and this has reduced the capacity to undertake this work which has impacted on the Council's results. Management needs to consider whether:<ul style="list-style-type: none">A) The Council is best placed to maintain these records and understanding;B) Maintaining low proportion of NEET and the current level of unknowns is acceptable; andC) The level of resource is adequate to achieve the outcomes desired.➤ The level of unknowns may have implications regarding the identification of NEETs and ensuring that appropriate support is then made available to young people; and➤ Resources have been concentrated on known and

upcoming NEETs and previous follow up routines with young people in work based training are not now usually undertaken. In the absence of this contact taking place at set intervals, this group becomes unknown which was a contributory factor to the high proportion of unknowns in September 2013. The other key factor in these results is the lack of follow up contact for year 13 pupils.

Procured service delivery

The audit review which involved detailed checks on 4 contracts found that a number of effective monitoring processes were in place as regards one of the contracts reviewed but for the remaining three the review highlighted a number of weaknesses in the processes used to manage and monitor contracts, which make it difficult to demonstrate that the contracts examined were delivering the savings and benefits anticipated.

Key findings from the audit included :

- For one of the contracts a cost savings profile was not in place at the start of the audit, although one was developed during the review .
- Some of the minimum performance requirements outlined in some contracts were not being achieved in a number of cases, and monitoring visits had not widely been undertaken to discuss and address these issues. It was also unclear as to what the consequences of failures by providers to meet minimum required performance levels are, as payments had continued to be made to those providers which had not achieved the minimum performance requirements.
- Where services were jointly delivered by an external contractor and an in house team, the Council could not differentiate between the outcomes from the internal and external teams, as the focus has been on the outcomes associated with the wider team. It was therefore difficult to monitor the extent to which the contract was delivering effectively.

Computer Recycling

The audit work carried out has identified a clear management commitment to ensuring that personal data is disposed of in a secure manner. Whilst there are a number of good practices in place, the concerns identified around procedures,

contractual arrangements and security have led to the current limited assurance audit opinion:

- Failure to provide copies of contracts with either of the two recycling companies;
- A requirement to update procedural documents to reflect current procedures. Consideration should also be given to a more detailed Asset Disposal Strategy that addresses the process of IT asset disposal and personal data;
- Computer recycling progress sheets produced by recycling companies have not been checked and updated on the inventory for three months at the time of audit testing. Consideration should be given to whether there are more efficient and timely ways to process this information;
- There were concerns regarding the level of authorisation around the release of computers to the recycling companies; and
- A review of the Council's computerised inventory record revealed that 5 computers sent to one of the companies for recycling, have been classed on the inventory as missing. It was recommended that these missing computers should be investigated further.

IT Disaster Recovery (ITDR)

It was recognised in the report that there are areas of ITDR good practice evident within the Council including:

- Investment in virtualisation and Storage Area Network (SAN) has provided advantages for the recovery of some IT systems;
- There is a formally documented and communicated ITDR command and control structure in place to manage IT outages; and
- Good links between the Corporate Risk Management approach and the ITDR programme, with business driven recovery requirements.

The main finding and cause of the Limited Assurance opinion is that the current ITDR arrangements are limited in capability should an event such as fire cause damage to the IT infrastructure hosted in the County Hall server room as there is no fire suppression system. In the event of a disruption requiring a full invocation of the ITDR plan for this server room, the County Council would have to potentially operate with a significant loss of priority 1 and 2, and other IT Systems and probable significant impact on the business and customers for weeks until new servers can be sourced, and

systems and data recovered effectively. It is noted that SAP has additional ITDR arrangements and may be recovered within about 5 working days from a major incident leading to loss of the server room but it is estimated that recovery (system rebuild and recovery of data from tape) of Frameworki would take in excess of 5 working days, and so will not meet current expectations for recovery.

In addition, testing of IT recovery has been limited over the past few years, with the notable exception of SAP and Civica Icon systems.

ITDR Documentation is in place for individual IT system recovery; however we would typically expect an ITDR recovery sequence to also be in place defining a logical technical recovery order of IT systems in priority order taking account of dependencies and feeder systems. This forms the basis to coordinate recovery in a disaster scenario across several IT recovery teams to ensure it is effective and efficient.

Finally, the review found that there is no formal agreement in place to procure replacement servers in a disaster situation beyond standard Council procurement processes.

At the Audit and Governance Committee held on 12 September 2014 the Committee received an update to the draft Disaster Recovery Internal Audit Report with particular reference to the Frameworki (FWi) system. It was minuted that the Council be informed that the Committee were reasonably reassured by the mitigation measures set out in the disaster recovery plans for the next 12 months.

Design Services
Contract – Term
Shared
Professional
Services Contract

The West Midlands Highway Alliance (WMHA) is an unincorporated, local authority led body consisting of a number of local authorities which has been created to orchestrate and oversee a programme which is intended to accelerate the achievement of value and efficiencies within the region.

Some authorities of the WMHA, including Worcestershire County Council, identified a need for professional service support in the delivery of highway services. A single supplier was appointed on a term contract over a 5 year period with an option to extend to 8 years.

Whilst there were examples of good practice with regard to monitoring and managing projects under the contract, there

were cases where the level of control was weak.

The reasons for the limited assurance opinion are as follows:

- A requirement to review proposed target prices and the need to challenge the resources required, where appropriate, to ensure they are justified;
- A need to develop monitoring tools to ensure that there are effective and objective ways of measuring performance to ensure that performance standards are adequate and to determine whether contract extensions should be agreed;
- It is important that assessments are checked to ensure they are reasonable by comparing the charges made against progress on the project and also a comparison against the target price build up.

Use of Agency Staff

The recruitment of the majority of agency staff is managed via the Matrix system (Agency Staff Recruitment System). The arrangements are intended to provide the Council with an efficient and cost effective recruitment solution. The current contract with Matrix expires in November 2015; with an option to extend for a further two years if required. Matrix are a Managed Service Provider and have no direct link to either agencies or recruitment firms but act as a "middle man" and manage the "supply chain" on the Council's behalf.

The current annual cost of agency staff is circa £6.9 million. Whilst this is currently increasing it should be noted that 72.88% of the current spend is spent on social work staff. Problems in recruiting Social Workers are being addressed both locally and nationally. It is also noted that recent staff reductions have led to an increased use of agency staff to combat high workloads.

A meeting has been held with senior management who have demonstrated a clear commitment to implement the recommendations that currently lead to an opinion of limited assurance due to issues around lack of effective controls including:

- A lack of guidelines detailing in what circumstances and for how long agency staff should be recruited;
- There are two levels of authorisation within the Matrix system, Client Owner and Client Manager. A sample of ten agency staff was selected from a March 2014 list provided by Matrix. In seven

cases out of the sample of ten the Client Owner and Client Manager was the same;

- A number of ex staff are listed as having access rights to the Matrix system;
- The Recruitment Services Team Leader confirmed that an approver need not be a WCC employee although it was noted that they do need to have a WCC email address;
- A number of disparities in pay rates. The Auditor examined a report of current users as at 22/7/14 from which it was noted that there are two workers who are paid day rates rather than hourly rates. One rate was £500 whereas the other is £300 per day. In addition, the temporary worker who is paid £300 per day is classed as a "Project Manager" and on the same report another Project Manager is being paid £21 per hour. £21 per hour is the notionally agreed rate for a Project Manager. Furthermore, there are a number of Team Managers (Children's) for whom the hourly rate varies between £24.40 (the agreed rate) and £40.13; and
- The procedures within the Matrix system to agree increases in hourly rates can be circumvented without providing an adequate audit trail. It has been agreed that Management will contact Matrix to investigate and obtain reassurance that there are adequate arrangements in place to agree and authorise any increase in an hourly rate paid to an agency worker

Whilst the majority of agency staff are recruited to cover either situations where we are unable to recruit, short term peaks in demand or sickness cover it was noted that the Recruitment Services Team Leader had identified a number (45) of temporary agency workers who have been engaged by the Council for over a year and in one case an individual has been engaged since 2009. It is acknowledged that in exceptional circumstances this may be legitimate and therefore important that the reasons for these timescales are recorded.

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.

8. Appendix 4: List of Internal Audits to be considered for Publication

8.1. 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.

- Insurance
- European Funding
- Primary School's Sport Grant
- Care Act – Pre payment card
- Delayed Transfer of Care
- Corporate Governance
- Risk Management

Audit and Governance Committee
26 June 2015**9. INTERNAL AUDIT RISK ASSESSMENT AND PLAN 2015/16****Recommendation**

1. **The Chief Financial Officer recommends that the Internal Audit Risk Assessment and Plan 2015/16 is approved.**

Background Information

2. The overall objective of internal audit is to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, control and governance processes. To do this audit work during the year needs to be planned to cover the significant risks facing the Council. In accordance with best practice the Committee's role is to review, assess and approve the annual internal audit work plan.
3. The proposed Internal Audit Plan for 2015/16 which has been subject to extensive consultation with management is set out in the Appendix for approval by the Committee.

Supporting Information

Appendix – Internal Audit Risk Assessment and Plan 2015/16

Contact Points**County Council Contact Points**

Sean Pearce, Chief Financial Officer

Ext: 6268 Email: 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.

This page is intentionally left blank

**Internal Audit Risk Assessment and Plan
2015/16**



Distribution List

Audit and Governance Committee
Chief Executive
Directors

Contents

Section	Page
1. Introduction.....	3
2. Providing assurance.....	3
3. Resources	4
4. Proposed Internal Audit Plan	5
5. Detailed Internal Audit Plan 2015/16	7

1. Introduction

- 1.1. In order to ensure that Worcestershire County Council's (WCC) internal audit resources are effectively utilised, we have made use of the current assessment of the most significant risks facing WCC, as part of the process for preparing the Annual Internal Audit Plan for the period 2015/16.
- 1.2. This is in line with the Public Sector Internal Audit Standards.
- 1.3. The Standards, which are based on the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 1.4. To reflect the priorities of the County Council, the Internal Audit Plan has been aligned to the County Council's Corporate Plan, Worcestershire Future Fit. Clearly, it is important that Internal Audit plays a part in ensuring that the County Council's Strategic Plan – Future Fit is delivered.
- 1.5. Our understanding of the risk management processes at the County Council means that we are able to place some reliance on the County Council's risk management process and its risk registers in formulating our audit plan.
- 1.6. This Risk Assessment is a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to the County Council by providing assurance to the Audit and Governance Committee and management on controls over key risks. This document sets out our responses as internal auditors to those risks and to other factors that have been considered as part of our assessment of audit need.

2. Providing assurance

- 2.1. This section sets out the fundamental areas of the plan together with the basis upon which coverage by Internal Audit is required.

Delivering value

- 2.2. Internal Audit can also provide a valuable role in improving business performance and delivering future value. We can assist the Council through the deployment of specialist skills and experience.
- 2.3. Audit work will focus on the four key areas of the Corporate Plan - Worcestershire Future Fit; Open for Business, Children and Families, Environment and Health and Wellbeing.

Providing fundamental "core systems" assurance

- 2.4. We recognise the necessity to provide management with an on-going level of fundamental "core systems" assurance. We will also seek to maximise audit efficiency by working closely with the external auditors, Grant Thornton. This includes developing and enhancing existing working arrangements with the external auditors.

Moving towards a risk based audit approach

- 2.5. Risk based work is also critical to the County Council, as it seeks to improve the risk awareness of staff, and improve overall control. The internal audit work programme is designed to provide assurance that the significant risks identified within the County Council's risk registers are being managed effectively. As part of this process we will also examine the risk management framework and governance procedures.
- 2.6. A significant element of the Internal Audit plan is still focused on fundamental assurance. However, over time as risk management processes develop and the internal control environment strengthens, we would expect the proportion of the internal audit plan spent on this to reduce. This will enable us to concentrate more of our resources on assisting the Council in areas such as efficiency gains, process improvements and delivering savings.

Next steps

- 2.7. During the year we will agree the timing of each review and issue a terms of reference agreed with management for each individual audit. The intention is for all internal audit work to be completed before the end of March 2016.

The risk assessment process

- 2.8. The Information which has been used to prepare our Risk Assessment and proposed Internal Audit plan has been collected and collated from a number of different sources, including:
 - The prior year internal audit plan approved earlier in the year;
 - The Corporate Plan, Worcestershire Future Fit;
 - A review of risk registers;
 - Consultation with key individuals;
 - A review of relevant documentation and reports provided to us; and
 - Our knowledge of the Council and results of Internal Audit work undertaken in prior years.

Completeness of assessments and future reviews

- 2.9. Our risk assessment is limited to matters emerging from the processes listed above. We will review and update this assessment and the resulting internal audit plan annually. If, however, additional risks arise, or change in priority, during the year the audit plan will be reconsidered with management and, with the approval of the Audit and Governance Committee, amended to ensure that audit resources are focused on new risk areas.

3. Resources

- 3.1. It is proposed that Worcestershire County Council's Internal Audit team will transfer to Warwickshire County Council from 1 May 2015.
- 3.2. Warwickshire will provide an agreed level of audit coverage to Worcestershire, in accordance with the Public Sector Internal Audit Standards and the associated Local Government Application Note. The total annual input for the years indicated above, including management time and on a full year basis has been agreed at 1450 days.

- 3.3. Any changes needed to the agreed audit plan will be agreed between the Worcestershire Chief Financial Officer and the Warwickshire Head of Audit. Where changes cannot be accommodated from within contingency or by rescheduling planned audits Warwickshire will use best endeavours to provide the additional coverage. This may be subject to extra charge at a reasonable day rate determined by Warwickshire and agreed by Worcestershire.
- 3.4. Any changes in resourcing requirements in year will be communicated to the Audit and Governance Committee.

4. Proposed Internal Audit Plan

- 4.1. The proposed Internal Audit Plan for 2015/16 is set out below for endorsement by the Audit and Governance Committee. This has been informed by the risk analysis in Section 2 in accordance with modern internal audit practice and the Public Sector Internal Audit Standards.
- 4.2. In each instance an overview of the review has been included. Once the programme has been agreed in outline, we will refine the precise scope of each review and agree this, and the related days, with management.
- 4.3. The responsibilities of Internal Audit, Audit and Governance Committee and management in developing and delivering the Internal Audit Plan are set out in the Internal Audit Charter.
- 4.4. The following table shows a summary of the 2015/16 Internal Audit Plan

Summary Operational Internal Audit Plan 2015/16

Area of coverage	Proposed Days (2015/16)
OP1 Fundamental assurance (core systems reviews)	265
OP2 Audits across the key areas of focus in the Corporate Plan	530
OP3 Open for Business	25
OP4 Children and Families	285
OP5 The Environment	120
OP6 Health and Wellbeing	125
Days available for WCC audit work.	1350
Management	100
TOTAL	1450

- 4.5. All audit days have been confirmed through due diligence with Directors and the Senior Manager, Audit and Assurance.

- 4.6. As per the requirements of the Public Sector Internal Audit Standards, individual audits have been prioritised.
- 4.7. The following table outlines the detailed plan for consideration by the Audit and Governance Committee.

5. Detailed Internal Audit Plan 2015/16

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
OP1 Core systems reviews – fundamental assurance						
Core financial systems e.g. General Ledger / Financial accounting Debtors Creditor payments Payroll Pensions – administration processes Pensions – investment management Pension Governance arrangements Treasury Management Budgetary arrangements VAT Bank Reconciliations Fixed Assets	High	Managed Audit	In line with three year financial systems cycle To be agreed in conjunction with external audit	Full systems	120	1-4
Capital Forecasting	High	Internal Audit Consultation	Review of processes in place.	Systems /advice	10	2

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Medium Term Financial Plan	High	Internal Audit Consultation	Post September, assurance around robustness and good practice.	Full Systems	10	3
Controls around Purchase Order/Payments	High	Internal Audit Consultation	Adherence to controls	Full Systems	20	4
Self Service for Finance	High	Internal Audit Consultation	Controls around Self Service for Finance and accuracy and reliance on forecasting	Full Systems Advisory	15	3
Adherence to Capital Accounting Practice	High	Internal Audit Consultation	To reflect planned changes in 2015/16	Compliance	10	3
Feeder systems	High	Follow up on previous advice.	Review of controls and authorisation process	Full Systems	15	1
National Fraud Initiative	High	Internal Audit	In line with national NFI requirements	National Fraud Initiative	20	1-4
Grant Certification	High	Internal Audit	Where required.	Grant certification	30	1-4

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Grant Assurance following individual memorandums of understanding	High	Internal Audit/DASH	Community Capacity Grant Department of Health Transforming Care Fund Care Bill implementation grant for 2014/15	Assurance	15	1 1 1
Subtotal OP1					265	
OP2 Audits across the key areas of focus in the Corporate Plan						
Directorate Risks	TBC	Directorate risk registers Conversation with Directors	Specific reviews on key directorate risks that arise during the year. To be agreed with Directors.	Flexible	115	1-4
Investigative work	High	Internal audit Requests from management Whistleblowing	As suggested, to be confirmed during the audit year.	TBC	80	1-4
Intelligence led proactive fraud investigations	High	Internal Audit	Use of internal specialist data analysis software and output from Audit Commission's NFI data matching exercise.	Compliance	25	1-4
Advice	High	Requests for advice	To be determined following requests received.	Flexible	50	1-4

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
IT Security audit	High	Internal Audit Consultation	To be determined following IT risk assessment.	Full Systems	35	4
IT Asset Configuration audit	High	Internal Audit Consultation	Responsibilities, controls, reporting, compliance and governance.	Full Systems	15	1
IT Policy Framework	High	Consultation	Review of appropriate and relevant policies.	Advisory	10	3
Use of Consultants	High	Audit and Governance Committee	Follow up on previous audit work. Assurance that all recommendations have been fully implemented.	Full Systems Compliance	30	1
Performance Management	Medium	Consultation Corporate Plan	How performance information is used by the Council to drive forward change.	Full Systems	15	1-3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Commissioning	High	Consultation	Is the authority achieving value for money from out sourcing services? Decision making and adequacy of specification. Performance indicators Control environment Monitoring arrangements	Compliance Advisory Added value – ongoing involvement of Internal audit rather than looking retrospectively	35	3
Job evaluation/ Grading of posts.	Medium	Internal Audit Consultation	Impact of commissioning Proposed changes.	Added value Advisory	10	3
Procurement	High	Consultation	Review of procurement. Appropriate procedures followed. Savings realised.	Full systems Compliance	30	2
Joint Property Vehicle (JPV)	High	Consultation	Contract management Obtaining assurance from the appointed auditors regarding the control environment.	Advisory Added value Compliance	10	4
Legal – looked after children	High	Consultation Internal Audit	To look at the legal processes regarding looked after children.	Full systems Added value	15	1

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Risk Management	High	Consultation	Risk management process	Advisory	5	1-4
Transfer of Assets	High	Consultation Internal Audit	When areas are outsourced, there is a need to ensure that assets are accounted for correctly and tracked to ensure that nothing goes missing etc.	Systems Advisory Compliance	15	3
Business ownership of systems	High	Consultation Internal Audit	As services are outsourced, are there controls around who owns data etc and in the event that an outsourced service was brought back in house, is it clear that the data is owned by the council and would be returned. Also, is the organisation clear on what data is held in which systems – information architecture?	Full systems Advisory.	20	4
Training and Development	Medium	Consultation Internal Audit	HR / Social Care Training Provision of training to Voluntary and Independent sector.	Full systems	15	3
Subtotal OP2					530	
OP3 Open for Business						

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Local Enterprise Projects	High	Corporate Plan	Consideration of whether the Council is fulfilling its responsibilities from an Accounting body perspective.	Full systems/validation	10	4
Broadband project	High	Consultation Corporate Plan	Payment procedures Contract monitoring Ongoing advice	Compliance Advisory Validation	5	1-4 1-4 3-4
Improvement & Efficiency West Midlands (IEWM)	Medium	Consultation Internal Audit	Planned approach regarding hand over arrangements. Finance, delivery evidence and legacy documents.	Advisory Systems approach	10	4 4
Subtotal OP3					25	
OP4 Children and Families						
SEN(D) Transport	High	Consultation Internal Audit	Learning and Achievement Children's Families Act. There is an expectation that partnerships work together. With regard to SEN (D) transport there may be potential to make savings.	Full systems Advisory	20	3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Local Offer 2014 Children's Families Act	Medium	Legislation	There is a linkage between SEN and Local Offer. Main areas around compliance with legislation to have a local offer. Potential for mismatch between schools and Council provision	Compliance	20	3
Child Academic Improvements in Care Homes-	High	Consultation Internal Audit	Quality outcomes for Young People in Children's Residential Homes.		20	2
Foster Payments	High	Consultation Internal Audit	Accuracy and timeliness of payments made to Adopters/ Special Guardians/ Private Providers and Foster Supported Living Providers. To ensure appropriately authorised, input and approved.	Full Systems	25	2
Foster Carers - the Foster Carer Journey	High	Consultation Internal Audit	Questionnaire designed that could capture feedback from the latest cohort of Foster Carer's to find out what is going well and what isn't so they can improve the Foster Carer journey.	Added value Advisory	15	1 (April 2015)

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
School Themed Audits	High	Internal Audit Corporate Plan	Themes to be agreed.	Compliance	100	1-4
Stronger Families programme	High	Consultation Internal Audit	A review of how the Council is evidencing impact of the Stronger Families programme	Full Systems	20	2 (July 2015)
Business Support Service	High	Consultation Internal Audit	Review of the business support service within the safeguarding quality assurance service	Full Systems	20	4 (January 2016)
Early Help Commissioning	High	Consultation Internal Audit	A review of the outcome based commissioning approach and value for money focused on all aspects of early help commissioning	Full systems Value for money	25	4 (January 2016)
Safeguarding	High	Consultation Corporate Plan	To be informed following discussions with group manager, safeguarding and quality assurance.	Added Value Review of systems	20	3
Subtotal OP4					285	

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
OP5 The Environment						
Highways Customer and Community.	High	Consultation Internal Audit	Includes highways enquiries, County highways, public performance measurement, road safety and Councillors allowance re expenditure in this area. Controls over expenditure and consideration of how this expenditure impact on wider spend.	Full Systems Value for money.	15	3
Transport	High	Consultation Internal Audit	Main focus financial overview of transport operations with an emphasis on public transport.	Full Systems	25	2
Flood Management	Medium	Consultation Internal Audit	Flood risk management, also an emphasis on capital expenditure.	Full Systems	20	2
Evesham Abbey Bridge	High	Consultation	Independent review of delays and associated increased costs. Lessons learnt	Added value /advisory	20	3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Highways Maintenance Service Contract	High	Consultation Internal Audit	To ensure that the new contractual arrangements are being adhered to.	Full Systems	30	4
Malvern Link and Worcester Foregate Street Enhancement contract	High	Audit and Governance Committee	Final account audit	Final Account	10	1
Subtotal OP5					120	
OP6 Health And Wellbeing						
Direct Payments	High	Consultation Corporate Plan	Audit work will focus on new arrangements. Need to consider process, controls, whether safeguarding issues are addressed, approach and any other issues.	Systems /advisory	20	4
E Market Place	High	Consultation Corporate Plan	Is the system working; are there appropriate controls over the quality aspects to ensure an appropriate level of service provision?	Systems /advisory	20	3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Commissioning	High	Consultation Corporate Plan	Emphasis on Quality Assurance	Full systems	20	2
Adult and Social Care Annual Review Process	High	Consultation Statutory duty.	Target is to review 95% of cases. Consideration of the effectiveness of current approach and alternative approaches.	Systems Advisory	20	2
Deferred Payments Scheme	High	Consultation Legislation	Management and administration of the deferred payments scheme, guidance and policies, property valuation and sale, means testing, top ups and monitoring.	Full Systems	25	3
Post Implementation - Care Act	High	Consultation Legislation	Post implementation and consistency of interpretation regarding the Care Act.		20	4
Subtotal OP6					125	
TOTAL OP1 to OP6					1350	

Audit and Governance Committee
26 June 2015**10. INTERNAL AUDIT COMMISSIONING UPDATE****Recommendation**

1. The Chief Financial Officer recommends that the content of the report is noted.

Background Information

2. This report provides an update on the commissioning arrangements for internal audit.

3. Members will recall that at previous meetings it was explained that a number of options for Commissioning internal audit had been discussed and the preferred option was to transfer the service to Warwickshire county Council.

4. Following detailed discussions between officers agreement was reached during March on the transfer of the internal audit service to Warwickshire. Consultation with staff commenced on the 12 March and the Chief Financial Officer subsequently approved the transfer under delegated powers. Warwickshire County Council formally agreed the proposal on 24 March.

5. A formal legal agreement was signed by both parties the basis of which is an administrative delegation of internal audit functions from Worcestershire to Warwickshire under section 101(b) of the Local Government Acts of 1972 and 2000.

6. Both councils will retain their own audit committee which will consider relevant reports, as now, in respect of plans and work undertaken for their respective organisations and generally discharge the responsibilities of an audit committee as set out in professional guidance.

7. A significant amount of work was undertaken by finance, IT, legal and HR services of both councils to give effect to the decision and the Worcestershire audit team successfully transferred to Warwickshire on 1 May.

8. The arrangement ensures the provision of a resilient, high quality and more flexible audit service for Worcestershire into the future. It is also clear that there will be opportunities for both councils to benefit from the synergies from merging the two teams, whether that is through more efficient systems and processes, best practice audit techniques or shared learning and development.

9. The Committee will be kept informed of developments as

Contact Points

work on embedding the new service continues.

County Council Contact Points

Sean Pearce, Chief Financial Officer

Ext: 6268 Email: 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.

Audit and Governance Committee
26 June 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**18 September 2015**

Internal Audit Progress Report 2014/15
Use of Consultants
Retention and Disposal of Records

11 December 2015

Internal Audit Progress Report 2015/16
External Audit Letter 2014/15
Counter Fraud Report 2015/16
Corporate and Transformation Risk Report

March 2016

Internal Audit Progress Report 2015/16
External Audit Plan 2015/16
External Auditor's Report

June 2016

Annual Statutory Financial Statements for the year ending 31 March 2016
Annual Governance Statement
Internal Audit Annual Report 2015/16
Internal Audit Risk Assessment and Plan 2016/17
Internal Audit - Delegated Service – Annual Report
Corporate and Transformation Risk Report

Other items yet to be timetabled:

Backup and Restore Procedures

- Members will recall that at the meeting of the Committee on 20 March 2015 it was agreed that a report be brought to a future meeting of the Committee to explain how the Superfast Broadband Project was tracking performance and assessing customer feedback. However, the Economy, Environment and Communities Overview and Scrutiny Panel will be undertaking a scrutiny of the Superfast Broadband Project. To avoid any duplication of work, the Chairman and Vice-Chairman of this Committee have agreed to withdraw this item from this Committee's work programme.

Contact Points

List of Background Papers

Specific Contact Points

Simon Lewis, Committee Officer Ext 6621
email: slewis@worcestershire.gov.uk

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