



Internal Audit Progress Report

“Providing assurance on the management of risks”

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This report summarises the results of all audit work since the previous report to the Committee.

Summary of completed assurance work

The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits will be given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are Limited, Moderate, Substantial and Full. The opinion reflects both the design of the control environment and the operation of controls.

Table 1 summarises the results of the assurance work completed during the period showing the opinion given.

Table 1: Summary of completed audits

Audit		Level of Assurance
1	School Themed Audit - Safeguarding	Substantial
2	Economic Growth	Full
3	Corporate Project Management	Moderate
4	IT Disaster Recovery	Moderate
5	Place Partnership Contract Management	Moderate

2016/17 Plan

In addition, the following 2016/17 audit previously reported as draft to the Committee in the Internal Audit Annual Report dated 21 July 2017 has now been issued as a final report:

- Information Management (Moderate assurance)

2017/18 Plan

In addition to the audits listed above a review of the lessons learnt report produced in respect of the Evesham Abbey Bridge project has been undertaken. Our review concluded that the lessons learnt report is accurate and supported by the events, facts and documentation reviewed and verified during the course of the review. The summary paragraph sets out two key issues:

- the Contractor's seriously under-priced bid and,
- a skills deficit or fade in Worcestershire County Council probably attributable to there having been very little major project work in recent years.

Whilst this is correct the Audit view is that the seriously underpriced bid exposed the second issue and as such this project shows the risks in accepting underpriced tenders i.e. those which offer the contractor no financial margin, especially where the contractor is also taking on significant cost risks.

In addition to completed audits draft reports have been issued on the following assignments:

- Direct payments – Adults
- Mobile devices
- Lindridge Primary School
- Section 117

There have been no limited opinion audits completed since the last report to Committee.

The remaining work in the 2017/8 plan has been assessed and reprioritised to ensure that sufficient work on the new financial systems can be undertaken. Additional work is required on the Financial Systems with unplanned audits of Bank Reconciliation, Feeder Controls and Access Controls proposed. To enable this work to be undertaken, planned audits of VAT, (which is currently subject to an external assessment by HMRC) and Liberata Contract Management, (which is subject to continual review internally) and Ofsted Improvement Plan (subject to intense external and internal focus) are proposed to be deleted from the current years plan. The advice work planned on Parkway has been deemed not required by the Strategic Commissioner – Major Projects and the Director of Economy and Infrastructure. These changes have been agreed by the Interim Chief Financial Officer.

Progress against the 2017/18 plan has been impacted by maternity leave, sickness and auditors leaving but steps have been taken to fill vacancies and temporary staff have been engaged. We are forecasting that the majority of the plan will be completed in time for inclusion the 2017/8 annual report, subject to managers meeting deadlines for reviewing terms of reference and draft reports, providing information, and availability of key staff.

Summary of non-assurance work

Counter Fraud

The size and complexity of the County Council means that some irregularities are inevitable and therefore, in addition to planned assurance work, internal audit have been made aware of a number of special investigations that are in progress or have concluded during the year and have provided advice to management as required. A summary of the significant issues arising from these investigations are reported below:

- Direct Payments - Adult Services. An individual had been in receipt of direct payments for a number of years but they had not provided any recent bank statements. Moreover, the service user had acknowledged that she had not been entitled to the payments more recently. This matter has been reported to Action Fraud and the service user issued with a debtor account for £38,867.58 to recover funds paid that she was not entitled to.
- Misuse of Prepaid Card. A prepaid card issued to a service user continued to be used whilst he was in prison. This also led to the account becoming overdrawn by £96.30. The police have been informed but it is unlikely any further action would be taken.

Work is continuing on two cases reported to previous meetings. These relate to a Company fraudulently claiming grant funding from the Council and an allegation of fraudulent ill health retirement.

The key issues arising from these matters will be reported in due course.

Certification

The period saw one grant claim requiring certification i.e. Stronger Families. This was satisfactorily audited by the required deadline.

Advice

Internal audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During the period the service has provided an input to various corporate projects and this work is consistently welcomed by managers.

Internal Audit has continued to provide a range of advice since the last report to the Committee. The main item relates to changes in the process for the engagement of external consultants/professional services. Internal Audit conducted a review of the new processes to provide advice on their completeness and effectiveness. It found that the new process is clear and effective and appropriate guidance is available on the staff intranet for the engagement of external professional services. The updates build on the previous C1A process and provide a strong and effective control framework. There are also robust monitoring arrangements within the Commercial Team to ensure compliance.

Internal Audit continues to attend regular meetings of various corporate groups and provides advice and guidance as required.

Reports for Publication

The following final reports will be published following consideration by the Interim Chief Financial Officer of whether they would require redaction prior to publishing. It should be noted that to date only Internal Audit reports where an opinion has been given have been published.

- Information Management
- School Themed Audit - Safeguarding
- Economic Growth
- Corporate Project Management
- IT Disaster Recovery
- Place Partnership Contract Management

This list includes the 2016/17 report finalised since the Annual Audit Report.

Published reports can be accessed by the following link:

http://www.worcestershire.gov.uk/info/20003/council_democracy_and_councillor_information/1076/internal_audit