



Internal Audit Progress Report November 2018

“Providing assurance on the management of risks”

Internal Audit Progress Report

“Providing assurance on the management of risks”

This report summarises the results of all audit work since the last progress report to the Committee in September 2018.

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
	Adult Services	
1	Domiciliary Care Billing and Charging	Substantial
2	Learning & Disability	Moderate
	Children Families & Communities (CFC)	
3	Fort Royal	Moderate
4	Offmore Primary	Limited
	Economy & Infrastructure	
5	ERDF	Substantial
	Public Health	
6	Commissioning and Contracting	Moderate
	Finance	
7	Treasury Management	Substantial

One of these audits, Offmore Primary was given a limited opinion. This will be considered by Strategic Leadership Team on 11 December 2018 and a summary of the key issues arising is given in Appendix A.

Draft reports have been produced and are in the process of being reviewed and issued in respect of the following audits:

Adult Services

- Transition from Children to Adult Services
- Safeguarding

Children Families & Communities

- School themed audit
- Looked after Children – Placement and spend
- Foster care/payments

Economy & Infrastructure

- Approval of Developments

Finance

- Pensions – Administration

The audits currently in progress are:

Children Families & Communities

- Safeguarding
- Schools in Financial Difficulties

Economy & Infrastructure

- Waste

Commercial & Commissioning

- Corporate Governance

Finance

- Medium Term Financial Planning
- General Ledger
- Bank Reconciliation
- Accounts Payable
- Payroll
- Debtors
- Pensions Investments

Other

- Counter Fraud governance arrangements
- Local Enterprise Partnership – assurance framework

2017/18 Plan

Work has continued on completing the 2017/18 audits. The following audits previously reported as draft or in progress in the 2017/18 Annual Report have now been issued as final reports:

- Brokerage (Substantial)
- Adults Case Files Reviews (Limited)
- Health & Safety (Substantial)
- Learning disability Services (Moderate)
- Performance Management (Moderate)
- Payroll (Substantial)

A summary of the issues arising from the Adults Case File Reviews audit was previously reported to the Committee in the 2017/18 Annual Report.

Management responses are either awaited or we are in the process of finalising the following 2017/18 audits which were included in the 2017/18 Annual report as in progress:

- Design Services
- Transport
- Regional Adoption Agency
- Starters & Leavers
- Learning & Achievement Contract
- Transformation & Savings Plans

Whilst getting engagement has always proved difficult and was flagged in the EQA report earlier this year it appears to be an increasing problem resulting in delays in obtaining agreement to terms of reference and draft reports despite escalating as appropriate.

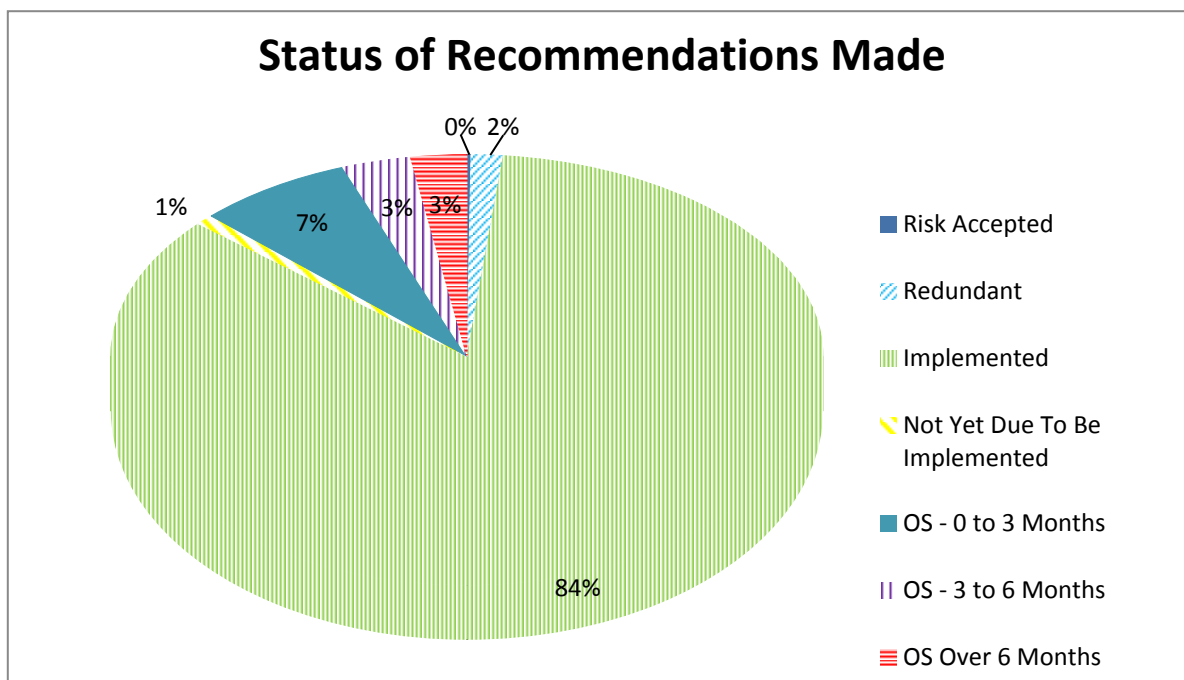
Recommendations

Recommendations

Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. The current categories used, in increasing order of importance are: Merits Attention, Significant and Fundamental.

In total since 1st May 2015, when the shared service started, 452 recommendations have been made to address weaknesses in control which would otherwise not have been identified. Of these 67 (113 as reported at the last Audit and Governance Committee) are overdue for implementation i.e. the target date agreed by the relevant manager at the conclusion of the audit has passed. 14 of these are overdue by more than 6 months (1 of these is classed as fundamental). Of the 67 overdue recommendations 4 are classed as fundamental.

The Committee will note that for many of the overdue recommendations we again have not received a response to our requests for information on the status of implementation from a number of managers. It is therefore possible that some of these recommendations have been implemented. The level of responses to updates requests is disappointing especially as the issue has been escalated with the Chief Financial Officer who has been actively following up with Heads of Service.



Appendix B summarises those audits which have overdue recommendations.

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, a number of special investigations are needed each year and since the last report the following investigations have been completed:

- **Northleigh CE Primary School**

An audit review was conducted after a number of concerns were brought to Internal Audit's attention by School's Finance with regard to financial management within the School. The audit review confirmed a number of concerns over financial management as well as the inappropriate use of a procurement card by a member of

staff. A response to the draft report has been received from the Chair of Governors, which is currently under discussion.

- **Section 278 Bond Monies**

Audit carried out a review following a complaint received by the Chief Executive relating to a S278 agreement between the Council and a developer. The complaint was around the release of bond monies to a third party company appointed by the Council to act on its behalf in relation to S278 agreements. The review found that as the developer had not completed the necessary works following receipt of a Notification of Default the Council was acting in accordance with the agreement in calling on the bond.

In addition, Internal Audit co-ordinated the submission of data to the National Fraud Initiative. Results are scheduled to be issued February 2019.

Certification

The period saw the following grant claims requiring certification being audited satisfactorily by the required deadline.

- Local Authority Bus Subsidy Ringfenced (Revenue) Grant
- Local Transport Capital (Integrated Transport Block)
- Local Transport Capital Block Funding (Pot Hole Action fund)
- Local Transport Capital (National Productivity Investment Fund)
- Local Transport Capital (Flood Resilience Fund)

Work has also been carried out to provide assurance that the Troubled Families claims submitted by Early Help and Commissioning are accurate.

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.

Since the last Progress Report, the following advisory work has been undertaken:

- **Cheque Image Processing**

A phased roll-out of a new image based cheque clearing system is being introduced, which is intended to speed up cheque processing. Internal Audit was asked to have an input into this and has provided advice on risks and controls, including attendance at a meeting between WCC officers and representatives of the Council's bank.

- **Tenacres First School**

Advice was provided by Internal Audit in respect of changes to the school fund accounts and controls around ensuring appropriate separation between school funds and the delegated budget.

- **Alternative Provision**

Following on from the 2017/18 audit of contract management arrangements, some advice was provided regarding monitoring providers and performance measures in response to a request from the CFC Directorate.

In addition to the above, Internal Audit continues to attend regular meetings of various corporate groups and provides advice and guidance as required. These include the Corporate Risk Management Group, the Frameworki Replacement Steering Group. Internal Audit is also attending meetings relating to the Finance Improvement Plan as part of the Communication and Training workstream.

Plan changes

The Council continues to face significant level of change and the audit plan has to be responsive to changes in risks. In year changes to the plan to reflect changed circumstances are accepted best practice. Taking into account our regular discussions with Directors a number of changes are now proposed.

A contingency allocation was included in the 2018/9 plan to cater for unplanned work. This allocation has already largely been used and in addition, because of the external scrutiny of Children Services following the Ofsted and SEND inspections, it is appropriate to defer a number of audits are no longer needed as the audits would not at this time add any value.

The time commitment on the replacement of Frameworki is likely to be higher than planned and there is no provision for work on control implications of the Finance Improvement Programme. It is considered that time would be better spent on advisory work on these initiatives rather than undertaking audits of existing processes which will be changing.

The Council's risk management processes are being reviewed and we will comment as necessary on these changes through our attendance at the Corporate Risk Management Group but it is considered that the planned audit of risk management should be deferred. There are also some audits needing to be pushed back, to allow time for the recommendations from previous audits to be embedded. We also need to take into account maternity leave experienced by the team.

Taking all factors into account it is proposed that the following audits are deferred and considered for inclusion in the 2019/20 plan:

- Domiciliary Care
- Project management
- SEND
- Public health ring fenced grant
- Risk management

As some additional work will be required in connection with the transition from Warwickshire some further audits may need to be deferred once the time commitment is clearer any such changes will be discussed and agreed with the Chief Financial Officer.

Reports for Publication

The following final reports will be published by the Council following consideration by the 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.

- Brokerage
- Adults Case Files Reviews
- Health & Safety
- Domiciliary Care Billing and Charging
- Learning Disability Services
- Fort Royal
- Offmore Primary
- ERDF
- Commissioning and Contracting
- Treasury Management
- Performance Management
- Payroll

Published reports can be accessed by the following link:

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

Appendix A Summary of Limited Assurance Audits Not Previously Reported to Committee

Offmore Primary School

This audit was conducted after colleagues within Children's Families & Communities Finance and a member of the Governing Body, who is also a WCC Elected Member, raised concerns regarding financial management within the School. A number of control weaknesses were identified from the audit, but during audit feedback and from the management responses received, the School has shown a commitment to address these.

Weaknesses identified include:

- The School does not have in place an approved Finance Policy outlining the framework of controls within which the delegated budget should be managed.
- A School Development Plan is not in place, although it is recognised this is currently being drafted by the Acting Headteacher.
- Staff salary reconciliations are not conducted to ensure the right individuals are paid the right amounts.
- Purchase orders are routinely raised upon receipt of supplier invoices and for the gross amount of the purchase.
- There is a weak audit trail in place in respect of income received.
- Mixing of the delegated budget and School Funds has taken place.
- The procurement card is used and operated by the School Business Manager, but is in the Acting Headteacher's name and transactions are not subject to independent review and authorisation.
- Not all invoices have been scanned into e5.

Appendix B: Audits with Overdue Recommendations at 31 October 2018

Audit	Number of Recommendations								Response Rec'd Y/N
	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			
						0 to 3	3 to 6	Over 6	
Adult Services									
Hospital Discharges - Patient Flow Centre	3	0	0	1	0	0	2	0	Y
Mental Health S117 (2017)	4	0	0	3	0	0	0	1	N
Section 117	7	0	0	6	0	0	1	0	N
Continuing Health Care	5	0	0	0	0	2	3	0	N
Direct Payments – Adults	5	0	0	0	0	4 (2 Fundamental)	1 (Fundamental)	0	N
Commercial & Commissioning									
Business Ownership of Systems & Assets	2	0	0	1	0	0	0	1 (1 Fundamental)	Y
ICT Infrastructure	16	0	0	12	0	0	0	4	Y

Audit	Number of Recommendations								Response Rec'd Y/N
	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			
						0 to 3	3 to 6	Over 6	
Contract Management	6	0	0	3	0	1	2	0	Y
ICT – Cyber Risk and Security	5	0	0	1	3	1	0	0	Y
Information Management	6	0	0	3	0	0	1	2	Y
ICT Software Licensing (16-17)	2	0	0	0	0	0	2	0	Y
Agency Staffing	7	0	0	5	0	2	0	0	Y
Procurement	12	0	0	5	0	7	0	0	Y
Health and Safety	3	0	0	0	0	3	0	0	Y
ICT Access Controls (Follow up 2017-18)	1	0	0	0	0	1	0	0	Y
ICT Mobile Device Security & Management	2	0	0	0	0	2	0	0	Y

Audit	Number of Recommendations								Response Rec'd Y/N
	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			
						0 to 3	3 to 6	Over 6	
Childrens Services									
Direct Payments – Children	8	1	0	0	1	1	5	0	N
Foster Payments	6	0	0	5	0	0	0	1	N
School Visits - St Catherine's CE Primary School	8	0	0	7	0	0	0	1	N
School Visits - Lindridge	8	0	0	7	0	1	0	0	Y
SEN(D) Transport	5	0	0	4	0	0	0	1	N
School Visits - Offmore Primary School, Kidderminster	15	0	0	12	0	3	0	0	Y
Finance									
Accounts Payable	7	0	0	6	0	1	0	0	Y

Audit	Number of Recommendations								Response Rec'd Y/N
	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			
						0 to 3	3 to 6	Over 6	
BACS Releasing	2	0	0	1	0	1	0	0	Y
Feeder Systems	4	0	0	1	0	3	0	0	Y
Capital Expenditure	8	0	0	6	0	0	0	2	Y
Pensions									
Pensions admin, investment and governance	7	0	0	6	0	0	0	1	Y
Pensions Investment	3	0	0	0	0	3	0	0	Y
	167	1	0	95	4	36	17	14	