



Internal Audit Progress Report July 2019

"Providing assurance on the management of risks"

Internal Audit Progress Report

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This report summarises the results of the Internal Audit work carried out since 01 April 2019.

The Internal Audit Annual Report 2018/19 reported as a separate agenda item to this Committee contains details of the audit work undertaken during 2018/19 since the last progress report to the Committee on 15 March 2019.

Summary of completed assurance work

2019/20 Plan

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 for the first quarter (1 April to 30 June 2019) and the opinion given.

Table 1: Summary of completed audits quarter 1 2019/20

Audit		Level of Assurance
Children Families & Communities (CFC)		
1	Blakedown CE Primary School	Moderate
2	Chadsgrove School	Substantial
3	Finstall First	Substantial
4	Pitcheroak School	Moderate
Commercial & Change		
5	Procurement	Limited
6	Worcestershire Councillors' Divisional Funds	Substantial

One of these audits Procurement has been given a limited opinion. This audit was considered by the Strategic Leadership Team on 28th May 2019 and a summary of the key issues arising is given in Appendix A.

Draft reports have also been issued in respect of the following audits:

- Wolverley CE Secondary School
- Information Governance

The audits started in the quarter and currently in progress are:

- Winter Service
- Destruction of Confidential Waste
- Adults Social Care Establishment visits (cash handling)
- Project Management
- Section 75 agreements
- Appointees and Deputies

2018/19 plan

Work has continued with completing the 2018/19 audits. The following audits reported as draft in the Internal Audit Annual Report 2018/19 (see separate agenda item) have now been issued as final reports:

- Learning & Achievement (Substantial)
- Accounts Receivable (Limited)
- General Ledger (Substantial)
- Data Centre Security (Limited)
- IT Cyber Security (Moderate)

Draft reports have been issued for the following audits:

- Payroll
- Counter Fraud Governance Arrangements
- Corporate Governance

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 commenced:

- Internal Audit have investigated an anonymous whistleblowing allegation that a member of staff in a school had awarded premises contracts to a supplier who had also undertaken private work for the member of staff concerned which was paid for from the delegated school budget. A draft report has been issued to the school's Chair of Governors.

- Internal Audit has been asked to review hours claimed by staff in certain areas of the business.

Updates on these investigations will be provided to future Committee meetings.

National Fraud Initiative

Internal Audit have issued the results of the matches to the appropriate teams for investigation. The service areas will review the data and assess the matches for further investigation as appropriate. A further report will be brought back to this Committee at a later date when more benchmarking data is available.

Certification

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

- Growth Hub Funding to Local Enterprise Partnerships (LEPS)
- Youth Justice Board Grant

An audit of the Kidderminster Trust Fund accounts has also been completed.

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:

Quality Review of 2018/19 Statement of Accounts and Pension Fund Accounts

A quality review of both the 2018/19 Statement of Accounts and the Pension Fund Accounts was undertaken to identify errors, omissions and inconsistencies.

Checks undertaken included:

- a consistency check of the 2017/18 figures included as comparative figures in the 2018/19 financial statements to the 2017/18 published accounts;
- Completeness check to ensure all notes listed are included in the financial statements;
- Agreement of totals reported in prime statements to breakdown of values in corresponding notes;
- Casting of all financial information to confirm that column addition totals are correct and that values reported in tabular formats cast correctly horizontally and vertically;
- Review for omitted items, considering items included in 2017/18 accounts as well as notes where 2018/19 figures are missing; and
- Reasonableness check of financial information disclosed in narrative notes to ensure consistency with figures in prime statements and notes.

Review of Annual Governance Statement (AGS)

A review of the Annual Governance Statement process was undertaken including an assessment against best practice (CIPFA Delivering Good Governance in Local Government Framework). A report suggesting a number of recommendations for enhancement to the process was produced.

Schools Advice

We have responded to a number of requests for advice from schools. These have included the following:

- The use of PayPal accounts;
- School Fund Accounting arrangements;
- Sales of obsolete school equipment; and
- Goods receipting separation of duties arrangements.

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 and Corporate Information Governance Group;
- Internal Audit is also attending meetings relating to the Finance Improvement Plan as part of the Communication and Training work stream and the Adults Finance and Change Board.

Plan changes

The Council continues to face significant level of change, such as LiquidLogic, OFSTED Inspection and Worcestershire Children First, 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.

Progress on completion of the 2019 /20 plan has also been affected by vacancies, the transfer back in house and the implementation of the audit system. However, as detailed in covering letter to the Internal Audit Report also on this agenda, a Chief Internal Auditor has been appointed (Jenni Morris) and although not formally in post until 01 August 2019, she has recruited interim resources to address the shortfall whilst permanent solutions are determined.

The following additions to the plan agreed by the March Audit & Governance Committee have been agreed with the Chief Financial Officer:

- Appointee and Deputies
- Final Accounts Quality Review

Performance

An IT system has been procured and is being rolled out across the function. As a result there is limited performance information for this quarter's report. The key information is in relation to recommendations outstanding. At the last Committee we identified that 82 actions were due or outstanding by 31st March 2019. At the end of quarter 1 there were 69 recommendations overdue the agreed implementation date, this includes some of those within the 82 reported last time but also takes account of the recommendations due also after 1st April and up to 30th June. A detailed analysis is shown in Appendix A, and the summary position is:

Audit	Number of Recommendations								June 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									
3 Audits	23	0	0	8	0	0	5	10	Y
Commercial & Commissioning									
6 Audits	47	0	0	29	6	4	4	4	Y
Economy & Infrastructure									
3 Audits	21	0	0	14	1	2	4	0	Y
Childrens Services									
2 Audits	12	0	1	7	0	0	1	3	Y
School Audits	37	0	0	7	0	0	15	15	Y
Pensions									
Pension Investment	3	0	0	2	0	0	0	1	Y
WLEP									
WLEP Assurance Framework	2	0	0	1	0	1	0	0	Y
Total	145	0	1	68	7	7	29	33	

Summary of Limited Assurance Audits Not Previously Reported to Committee

Procurement

The scope of the audit included the following areas:

- The extent to which previous Internal Audit recommendations have been addressed.
- Procurement policies and procedures are in place which are in line with relevant legislation and these are complied with.
- Arrangements to ensure that the award of contracts is approved in accordance with limits of delegated authority; they provide value for money and this can be demonstrated.
- Processes for approving and recording exemptions from Contract Standing Orders.

Our key concerns are as follows:

- A consultancy engagement, which was initially a short term arrangement, has been extended 3 times and remains ongoing. The initially agreed timescales and costs have been substantially exceeded.
- The sign off of APPS (Application to Procure Professional Services) forms, require a manual/wet signature. This has the potential to be snipped into the document rather than being signed by the authoriser.
- Under the Public Contracts Regulations, for Dynamic Purchasing System (DPS), contract award notices must be published, however this has not been the case in all instances.
- Where cost and quality are evaluated in different weightings to those prescribed in the Procurement Code, there is not always a record to confirm that this has been approved, which is required under existing procedures.
- There is some ambiguity over what level of approval is required for exemptions.
- There is a poor audit trail to facilitate effective tracking and monitoring of exemptions from Contract Standing Orders.

The report has been agreed by the appropriate officers. Responses have been received with action plans for implementation of the recommendations made, agreed action dates and responsible officers. Progress on the implementation of the recommendations will be followed up.

Appendix B: Audits with Overdue Recommendations at 30 June 2019

Audit	Number of Recommendations								
	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			June Rec'd Y/N
						0 to 3	3 to 6	Over 6	
Adult Services									
Adult Case Files (2018)	7	0	0	5	0	0	2	0	Y
Learning Disability	4	0	0	1	0	0	3	0	Y
Mental Health S75 Agreement	12	0	0	2	0	0	0	10	Y
Commercial & Commissioning									
Agency Staffing	7	0	0	6	0	0	1	0	Y
Information Management	6	0	0	3	0	0	0	3	Y
Contract Management	11	0	0	5	3	1	1	1	Y

Audit	Number of Recommendations								June 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	
Procurement (issued July 2018)	14	0	0	12	0	2	0	0	Y
Health & Safety	5	0	0	3	0	1	1	0	Y
Performance Management	4	0	0	0	3	0	1	0	Y
Economy & Infrastructure									
Transport Including SEND	7	0	0	6	0	0	1	0	Y
Approval of Development	5	0	0	1	0	2	2	0	Y
Design Services	9	0	0	7	1	0	1	0	Y
Childrens Services									

Audit	Number of Recommendations								June 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	
Direct Payments Children	8	0	1	4	0	0	0	3	Y
Foster Payments	4	0	0	3	0	0	1	0	Y
School Visits – School A	19	0	0	0	0	0	5	14	Y
School Visits - Lindridge	8	0	0	7	0	0	0	1	Y
School Themed Review – Budget Management, Payroll, Procurement & Creditor Payments	10	0	0	0	0	0	10	0	Y
Pensions									
Pension Investment	3	0	0	2	0	0	0	1	Y
WLEP									

Audit	Number of Recommendations								
	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			June Rec'd Y/N
						0 to 3	3 to 6	Over 6	
WLEP Assurance Framework	2	0	0	1	0	1	0	0	Y
	145	0	1	68	7	7	29	33	