

**AUDIT AND GOVERNANCE COMMITTEE  
13 DECEMBER 2019**

**INTERNAL AUDIT PROGRESS REPORT AND ANTI-FRAUD  
AND CORRUPTION STRATEGY**

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**Recommendations**

**1. The Chief Internal Auditor recommends that:**

- a) The Internal Audit Progress Report be noted;
- b) The changes to the 2019/20 audit plan (detailed in Appendix 1) be approved; and
- c) The draft Anti-Fraud and Corruption Strategy (Appendix 2) be noted.

**Background**

2. The attached progress report summarises Internal Audit work for the year to date for consideration by the Committee and updates on changes to the audit plan.

**Summary of assurance work**

3. We have a challenging plan with limited resource and are working to deliver maximum assurance through a mixture of focussed audits and alternative arrangements for delivery. Current progress against the plan is given in the table below (Worcestershire Children First audits include schools):

<b>Audit status</b>	<b>All audits</b>	<b>WCF audits</b>	<b>Audit outcome</b>	
Complete	14	6	Advisory only	2
			Substantial assurance	7
			Moderate assurance	4
			Limited assurance	1
In progress	20	3		
Planned	19	3		
Removed (pending approval)	8	1		
<b>Total audits</b>	<b>61</b>	<b>13</b>		

4. The limited assurance audit relates to Adult and Community Learning Budgetary Management Review. This was an operationally requested piece of work, following an overspend in 2018/19 and doubt about whether management actions were in place to rectify this in 2019/20. The report identified several ongoing issues with the management actions to address the financial issues. The managers engaged well with the audit and have put together a comprehensive action plan to manage the issues identified.

5. An update on the audit plan is attached at Appendix 1, which gives detail of completed audits, progress on current audits and recommended changes to the plan. This includes alternative approaches to some audits to maximise assurance whilst making better use of resource. An example of this is the Financial Systems control framework approach which we are recommending delivering assurance across areas such as accounts payable, accounts receivable and general ledger. This approach will enable us to map key controls and then audit exceptions and changes rather than a traditional sample-based approach.

## Performance

6. We currently have 92 outstanding actions across 23 audits, compared with 74 over 23 audits at the September committee. We have completed 7 audits and the actions for these are shown and closed all actions for 7 audits. We continue to work closely with operational managers to close outstanding actions, this work includes re-profiling actions if appropriate.

Audit	Audit rating	Not yet due	Months outstanding			
			0-3	3-6	6-12	> 12
<b>Adult Services</b>						
Adult & Community Learning	Limited	4				
Appointees & deputies	Substantial	4	1			
Transition – Children to adults	Moderate	2				
<b>Coach</b>						
Confidential Waste	Substantial	1				
Contract management	Moderate	3				
Cyber security	Moderate	2				
Data centre security	Limited	3				
ICT access controls	Substantial			1		
ICT software licensing	Moderate	2				
Information governance	Moderate	7	2			
Procurement (2017/18)	Moderate	1			1	
Procurement (2018/19)	Limited	1				
Project management	Substantial	4				
<b>Economy &amp; Infrastructure</b>						
Approval of development	Substantial				4	
Winter service	Substantial		4			
Worcestershire LEP	Substantial		1			
<b>Finance</b>						
Accounts payable	Limited		1	3		
Accounts receivable	Limited		1			
<b>Worcestershire Children First</b>						
Direct payments	Moderate					2
Fairfield first school	Advisory		7			
Finstall first school	Substantial			1		
Foster payments	Substantial				1	
Northleigh primary school	Limited				18	1
Wolverley high school	Moderate	3	6			
		<b>37</b>	<b>23</b>	<b>5</b>	<b>24</b>	<b>3</b>

7. The most significant number of outstanding actions is with Northleigh Primary School. We have been working with the Headteacher to determine required actions but have now been informed that the school is intending to convert to an academy from 1 January 2020. We will conduct a closing interview with the Headteacher and recommend that the outstanding actions are closed. If for any reason the school does not convert, we will keep the actions open.

## **Summary of non-assurance work**

### **Counter Fraud**

8. The size and complexity of the County Council means that some irregularities are inevitable, and therefore, in addition to planned assurance work, several special investigations are needed each year and since the last report the following investigations have commenced:

- A special investigation at school x following allegations about the business manager.

9. We are carrying out an additional matching exercise with the National Fraud Initiative to match up to date mortality data with Adult Social Care clients and pensioners.

10. We are also entering a trial for CIFAS, a multi-sector data matching agency, to evaluate if there are any additional benefits from this exercise.

11. The Anti-Fraud and Corruption Strategy (attached as Appendix 2) has been updated and is currently being consulted on within the Council.

### **Audit system implementation update**

12. The implementation of our audit management system, Pentana, is progressing well. We have configured the system to meet our requirements and staff have been trained. We are now using the system to deliver audits and manage working papers. We anticipate that the operational aspect of the system, which allows managers to respond to reports, will be utilised from April 2020. The system will also enable us to report to Committee in a more interactive way and we are keen to demonstrate this functionality in due course.

### **Staffing**

13. As has previously been discussed at Committee, we currently have 4 staff in the Internal Audit team and, although we are making significant progress, we are under-resourced in terms of delivering the audit plan and working towards developing the remit of the service. We have had 2 new roles graded but were unable to appoint to these internally so are now advertising the roles externally.

## **Contact Points**

### County Council Contact Points

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## **Supporting Information**

- Appendix 1 – 2019/20 audit plan update
- Appendix 2 – Anti-fraud and Corruption Strategy

## **Background Papers**

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

Previous update reports to the Audit and Governance Committee