

**AUDIT AND GOVERNANCE COMMITTEE**  
**13 MARCH 2020****INTERNAL AUDIT PROGRESS REPORT AND ANTI-FRAUD  
AND CORRUPTION STRATEGY**

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**Recommendations**

1. The Chief Internal Auditor recommends that the Internal Audit progress report be noted.

**Background**

2. The progress report below summarises Internal Audit work for the year to date.

**Summary of assurance work**

3. The achievement of the original plan has proved challenging as the Council is undergoing a period of transformation and change. Current progress against the plan is given in the table below (Worcestershire Children First audits include schools) and reflects the need to remove some areas as activity has changed. In most cases we have added alternative audit approaches to deliver assurance at a control rather than compliance level. An example of this is the key financial controls framework (further information given below). Audits have also been added at the request of operational managers or as a result of a special investigation.

<b>Audit status</b>	<b>All audits</b>	<b>Audit outcome</b>	<b>WCC</b>	<b>WCF</b>
Complete	30	Advisory only	1	1
		Substantial assurance	7	2
		Moderate assurance	3	4
		Limited assurance	3	2
		Certified	6	1
In progress	13			
Removed	27			
Total audits	70			

4. There have been 4 limited assurance reports since the December Committee update:

- a) Long term placements (agency and consultancy);
- b) Business continuity;
- c) Governor support and training (thematic review); and
- d) School – fraud investigation

5. We are currently undertaking a Financial Systems key controls framework assessment which has replaced four compliance audits. This approach allows us to consider the overall assurance framework against key lines of enquiry and identify areas requiring more in-depth analysis.

## Performance

6. We currently have 74 outstanding actions across 13 audits (93 actions over 23 audits at the December committee). Of these 53% are overdue.

Audit	Audit rating	Not yet due	Months outstanding			
			0-3	3-6	6-12	> 12
Adult & Community Learning	Limited		4			
Appointees & deputies	Substantial		4	1		
HR strategy / policy development and compliance	Substantial	4	6			
ICT inventory	Moderate	7				
ICT legacy systems	Moderate	2				
Long term placements (agency and consultancy)	Limited	9				
Payroll	Moderate	1	1	1		
Approval of development	Substantial		2		1	
<b>Worcestershire Children First</b>						
Governor support and training	Limited	6	1			
Northleigh primary school	Limited					10
Offmore primary	Moderate		1	3		
Overbury first school	Substantial	3				
Wolverley high school	Moderate	3		4		
		<b>35</b>	<b>19</b>	<b>9</b>	<b>1</b>	<b>10</b>

7. The 10 actions which are over 12 months overdue relate to Northleigh Primary school. As previously reported the school is due to convert to an academy, although the date for this has been delayed. We have conducted an update meeting with the new Headteacher and Governing Body to agree a programme of implementation for the remaining actions.

## 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. This report has now been concluded and the allegations of fraud have been substantiated. The business manager has left the school and the matter referred to the police.

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.

### **Audit system implementation update**

11. 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**

12. As has previously been discussed at Committee, we are continuing to establish the team through a programme of recruitment. We have been successful in appointing a Risk and Assurance Manager to lead our risk assurance and fraud work. We were unable to recruit to the Audit and Compliance Manager role and have taken on an experienced interim manager to support the team whilst we work with HR to consider next steps.

### **Contact Points**

#### County Council Contact Points

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### **Background Papers**

In the opinion of the proper officer (in this case the Chief Internal Auditor) there are no background papers relating to the subject matter of this report.