

Executive summary - Moderate opinion

The role of the Council's Internal Audit service is to enhance and protect organisational value by providing independent assurance, advice and insight into the Council's risk management, governance and internal control processes. This document provides a summary of Internal Audit work during 2019/20 and, as required by the Accounts and Audit Regulations 2015, gives an overall opinion of the Council's control environment.

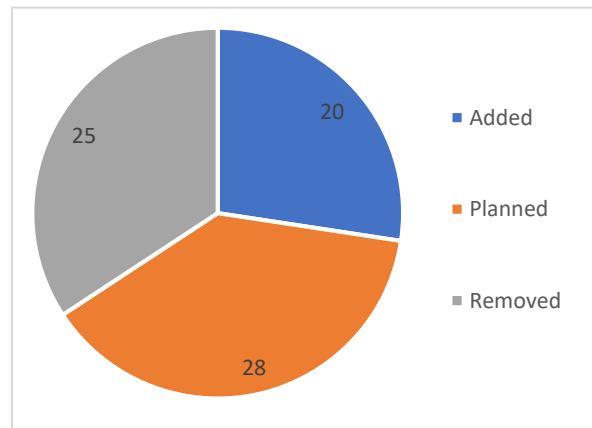
The work of the Internal Audit service has identified that, whilst the Council's underlying controls are adequate, there are some intrinsic issues which need to be addressed. Key themes from the audit work are:

- Management inconsistency – failure to follow process is not appropriately managed
- Organisational redesign – this is used as the most common reason managers have delayed actioning audit recommendations
- Policies and procedures – good policies are not accessible or consistently applied, and weak procedures and policies need to be changed and improved. Training and support are not consistent.

Internal audit work 2019/20

2019/20 was a year of transition for the Internal Audit service with a return of the service to County Council management, the introduction of a new audit system (Pentana) and the appointment of the Chief Internal Auditor and Risk and Assurance Manager. The audit plan has seen several changes over the year as a result of changes to operational activities and a change of focus in the audit coverage of the team.

The Covid19 situation has not significantly impacted the outputs of 2019/20, although they have delayed the completion of a few audits which were underway at the end of the year. The work undertaken has enabled me to give a **Moderate opinion** regarding the internal controls of the Council.



There were a total of 73 audits and grant certifications on the plan for 2019/20. Changes made in year are shown in the following graph. 25 audits have been removed from the plan for the following reasons:

- Operational activity not being undertaken
- Deferred to 2020/21
- Replaced by another audit activity

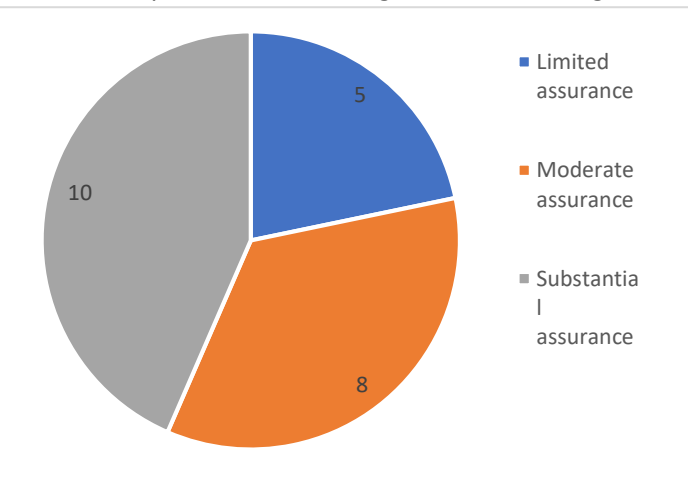
Audits have been added to the plan for the following reasons:

- Operational request
- Revised audit approach (e.g. healthy organisation review)
- Special investigation
- Fraud follow up

48 audits and grant certifications were completed in 2019/20 23 audits have been completed and assessed, 22 audits are currently in draft state and 8 grant claims have been certified as accurate. We use 4 assurance levels for compliance and assurance audits:

Full assurance	The system of internal control meets the Council’s objectives. All the expected system controls tested are in place and are operating effectively. Future audits will be undertaken in line with standard planning
Substantial assurance	There is a generally sound system of internal control in place designed to meet the Council’s objectives. Weaknesses in the design of controls or inconsistent application of controls in a small number or low risk areas put the achievement of a limited number of system objectives at risk. The resulting risk is not significant. Future audits will be undertaken in line with standard planning.
Moderate assurance	The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively, increasing the risk that the system does not meet the Council’s objectives. The resulting risk may be significant. An improvement review audit will be undertaken within 3 years.
Limited assurance	Weaknesses in the design and / or inconsistent application of controls puts the achievement of the Council’s objectives at risk in many of the areas reviewed. The resulting risk is significant. An improvement review audit will be undertaken within 12 – 18 months.

The 23 completed audits have given the following assurance levels:



The limited assurance audits are as follows:

- Long-term placements (agency and consultants) – policies and frameworks are not routinely complied with and there is minimal supporting documentation
- Business continuity – plans are not in place for all critical services and plans which are in place are not regularly updated or tested
- Governor support and training thematic review – limited training is available, available training is not widely accessed and the roles of the various partners are not clear
- Adult Community Learning budget management – poor financial management and course cost recovery

- School x fraud follow up – a fraud investigation highlighted weaknesses in the school governance arrangements

When considering the impact of the number of audits at each assurance level, it is important to be mindful of the relative organisational impact. A limited assurance assessment for an individual establishment is likely to be less significant than an equivalent assessment for a whole Council policy or process.

Findings and actions from all audits are reviewed and monitored to ensure that key messages are made available the Council. These could be areas of good practice or control weaknesses. These key messages are reported to the Strategic Leadership Team on a quarterly basis.

We are continuing to work on finalising as many audits and will give a verbal update to the Committee in due course.

Other sources of assurance

Some Council services are provided by partner agencies and we rely on assurance from these organisations’ audit services. These are:

- Place Partnership. We have been notified that 4 out of 5 planned audits have been completed and have been given reasonable assurance ratings (level 2 out of 4).
- Liberata. Assurance details to be provided.

Audit actions update

Work has continued all year to work with managed to complete audit actions within a reasonable timescale. As part of our ongoing improvements to the audit process we are providing clearer guidance to operational managers about the priority which should be given to resolving actions identified.

Fundamental	Action is imperative to ensure that the organisation is not exposed to further risk. If the action is not adequately addressed there may be a major impact on the achievement of the Council’s objectives. Actions should be implemented within 3 months.
Significant	Action is necessary to avoid exposing the Council to significant risks and / or having an impact of the achievement of the Council’s objectives. Actions should be implemented within 3 – 6 months.
Merits attention	Action is desirable and will result in enhanced control or better value for money. Minimal adverse impact on the achievement of the Council’s objectives if not adequately addressed.

Actions are tracked and we make regular contact with operational managers to follow up progress.

	Completed	6-12 months left	0-3 months left	0-3 months late	3-6 months late	6-12 months late	> 1 year late	No Date Given	Total Number of Actions
Substantial Assurance									
Approval of development	2			2				1	5
Winter Service	2								2
Fininstall First School	1								1
Destruction of confidential waste	1								1
Worcestershire Children First Cut Over Testing	1			1					2
HR strategy / policy development and compliance	6			2	2				10
Appointees & Deputies	2				3				5
Overbury First School	2			3					5
Moderate Assurance									
Payroll	3			1	1	1			6
Inventory	7								7
Legacy systems	1	2							3
Offmore Primary	1				4			1	6
Wolverley CE Secondary School	8		3			5			16
Limited Assurance									
Accounts Receivable.	4								4
Northleigh primary	19								19
Long Term Placements (Agency & Consultancy)	10								10
Governor support and training - thematic review	7								7
Adult & Community Learning - Budget Management Review	3				4				7

	80	2	3	9	14	6	1	1	116
Anti-fraud and corruption	<p>Anti-fraud work is undertaken for various reasons, including calls to the anti-fraud hotline from employees or members of the public, requests from operational staff and follow up investigations from audit work. 4 investigations have been undertaken and in 1 the allegations were upheld. This resulted in a member of staff being disciplined and resigning and the monies defrauded being recovered.</p> <p>We are developing an updated Anti-Fraud and Corruption Strategy which will be introduced across the Council in 2020/21 and a training programme rolled out. This will be supported by a revised Anti-Money Laundering Policy.</p>								
Advisory services	<p>Another key activity of the audit team is advising operational teams as requested. We have undertaken 4 advisory pieces of work this year, supporting the following areas:</p> <ul style="list-style-type: none"> • Adult Services peer review • Liquid Logic data migration • Station Road development • Cut off arrangements for financial transfer from the Council to Worcestershire Children First 								
Grant certifications	<p>Our grant certification work supports the Council in ensuring that money claimed from government agencies is correctly accounted for and we work closely with operational teams to deliver this. 7 grant claims have been certified in 2019/20.</p>								
PSIAS assurance	<p>All work undertaken by the team complies with PSIAS requirements. We are working to improve our engagement with the standards by implementing Engagement Standards, training and developing the team and improving our audit approach to ensure coverage provides maximum assurance. We have a PSIAS improvement plan in place and will look to be assessed against the Standards in a formal External Quality Assessment during 2021/22.</p>								