

August 2015

**Internal Audit Progress Report
1 April to 31 July 2015**



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1. Introduction

- 1.1. The Audit and Governance Committee has responsibility to review the adequacy of the County Council's internal control and risk management arrangements. Internal Audit is an independent assurance function which provides an objective opinion on the effectiveness of the control environment comprising risk management, control and governance processes.
- 1.2. This report outlines the work of the internal audit service during the period 1 April 2015 to 31 July 2015 compared to the 2015/16 Internal Audit Plan which was approved by the Audit and Governance Committee at its meeting on 26 June 2015.

2. Internal audit work completed 1 April to 31 July 2015

- 2.1. Since the last report to the Committee, work has continued on finalising the remaining 2014/15 audits and work has started on the 2015/16 Plan. All the work completed has been reported to management to ensure that individual recommendations are properly considered.
- 2.2. 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.
- 2.3. Where audits have been given a limited opinion this is an indication that the Council does not have sound processes in place to manage risk and are therefore the audits which the Committee may wish to focus on. There are currently no reports in this category.
- 2.4. The assurance opinion given is at the time of the report being issued but before full implementation of the agreed management action plan. Where a report has been finalised management will have accepted the recommendations and agreed an action plan with timescales for implementation. It is essential that audit recommendations are implemented by management within the agreed timescales. All recommendations are therefore routinely followed up with senior management twice a year to obtain assurance that recommendations have been implemented. The next follow up of recommendations is due to be undertaken in October and the status of the high recommendations will be reported on to the next meeting of the Committee in December 2015.
- 2.5. Following audits a "Post Audit Questionnaire" has been issued to relevant managers asking for their views on the delivery of the audit. There are a range of questions covering audit approach, reporting and an overall assessment. It is pleasing that the results are excellent with an average score of 5 (out of a maximum of 5). In addition a number of very positive comments regarding Internal Audit work have been received.
- 2.6. Feedback from senior management would also suggest that the quality of output is high and continues to improve.

2014/15 Internal Audit Plan

- 2.7. Work has been completed on the 2014/15 audits which were shown as being in draft in the Annual Report to the last Audit and Governance Committee on 26 June 2015. The following final reports have now been issued:

- Local Enterprise Project (LEP)
- Payroll
- Pensions
- Bank Reconciliations
- Cost of change- Redundancy Costs
- Future Operating Model
- PFI Waste
- Freedom of Information Requests.

There is one further audit report where a response to the draft report is awaited:

- Commissioning – Learning & Achievement.

2.8. Work has been completed on the four audits which were in progress at the time of the last committee meeting:

- Archaeology
- Registrars
- Community Safety
- Growing Places Fund.

In addition, work has been concluded on an investigation into School Fund transactions.

2.9. A breakdown of these final reports can be found in Appendix 2, which summarises the risk ratings associated with each recommendation along with an overall opinion. Further information is provided in the individual reports. A list of those reports which will be considered for publication is included in Appendix 3. Published reports can be accessed by the following link:

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

2015/16 Internal Audit Plan

2.10. Work is in progress on the 2015/16 plan, a detailed statement showing assignments and actual activity for the year is shown in Appendix 1. Progress against the plan is in line with our projected profile and we anticipate substantially completing the remaining work by the year end.

3. Other significant work

3.1. Internal Audit has also carried out work in a number of other areas during the period ending 31 July 2015 and this is set out below.

National Fraud Initiative

3.2. The National Fraud Initiative (NFI), the Audit Commission's data matching exercise helps the Council fight against fraud. Internal Audit continues to act as the lead co-ordinator. The data matches have all been received and allocated to individual officers for investigation.

Grant claims

3.3. A total of 6 grant claims have been reviewed to ensure accuracy and compliance with relevant grant conditions:

- Bus Services Operators Grant;
- Community Capacity Grant
- Transforming Care (Capital) Grant Fund
- Autism Innovation (Capital) Grant
- Regional Growth Fund
- Digital Essentials Grant.

These were all satisfactory.

3.4. Further work was also carried out on the Kidderminster Trust Fund. Whilst the value of transactions is relatively low, Internal Audit was able to provide independent assurance regarding this fund.

Advice

3.5. The Council will face major changes in systems and procedures over the coming years and we are able to provide advice on the control implications of these changes.

3.6. Internal Audit meets regularly with Directors and other senior staff to identify areas where such advice or input is required. This is an important part of Internal Audit's work to ensure that appropriate controls are considered at an early stage. This work reduces the issues that will be raised in future audits, contributes to a stronger control environment and allows the audit team to keep up to date with current and future challenges facing the directorates. We wish to expand this pro-active work as it is a particularly effective use of our limited resources.

3.7. During the first four months, Internal Audit has advised on a number of areas including:

- **Superfast broadband project** - internal Audit has continued to support this project over the last four months, providing advice regarding the process for checking the information provided by the contractor so that invoices can be paid.
- **Risk Management** - Internal Audit attends regular meetings of the Corporate Risk Management Group and provides advice and guidance as required.
- **Renewal of School Catering Contract** - advice regarding the correct procedures to be followed on renewal of the Catering Contract.
- **School Fund Audit Requirements** – advice regarding the required arrangements for auditing of School Funds.
- **Declarations of Interest** - advice was sought from Internal Audit around the governance arrangements in relation to declarations of Interest.
- **E-Bay** – advice was provided regarding the sale of items on E-bay.
- **Improvement and Efficiency West Midlands** – advice regarding paying for quality checks on projects.
- **Cash Handling** – advice provided on revised procedures for cash handling.

4. Appendix 1: Summary of progress against the agreed Audit Plan 2015/16

Area/system	Date final report issued	Status/assurance level given
OP1 – fundamental assurance		
Core Financial Systems		
Capital Forecasting		Terms of Reference agreed. Fieldwork in Progress.
Medium Term Financial Plan		Planned for quarter 3.
Controls around Purchase Order/Payments		Planned for quarter 4.
Self Service for Finance		Planned for quarter 3.
Adherence to Capital Accounting Practice		In progress.
Feeder systems		Terms of Reference agreed. Fieldwork in Progress.
National Fraud Initiative		Ongoing.
Grant certification		Ongoing.
Grant Assurance <ul style="list-style-type: none"> • Community Capacity Grant • Department of Health Transforming Care Fund • Care Bill implementation grant for 2014/15 		<ul style="list-style-type: none"> • Complete. • Complete. • In progress.

Area/system	Date final report issued	Status/assurance level given
OP2 – cross cutting audits		
Directorate Risks:		
Investigative work		Ongoing work.
<ul style="list-style-type: none"> ➤ School Fund Income ➤ Overtime Claims ➤ Cash Handling 	June 2015	<ul style="list-style-type: none"> ➤ Final Report issued. N/A ➤ Work in progress. ➤ Work in progress.
Intelligence led pro-active fraud investigations		Ongoing. Currently at the planning stage of using Fiscal software to analyse key financial data.
Advice		Ongoing.
IT Security audit		This work is going to be covered by IT specialists as part of the Internal Audit Framework agreement.
IT Asset Configuration audit		This work is going to be covered by IT specialists as part of the Internal Audit Framework agreement.
IT Policy Framework		This work is going to be covered by IT specialists as part of the Internal Audit Framework agreement.
Use of Consultants		In progress.
Performance Management		
Commissioning		In progress.
Job evaluation/ Grading of posts		Planned for quarter 3.

Area/system	Date final report issued	Status/assurance level given
Procurement		In progress.
Joint Property Vehicle (JPV)		Planned for quarter 3.
Legal – Looked after children		Discussions have taken place with the Principal Solicitor (Child Care) that indicates that the audit will add little value as much work has been undertaken in this area and therefore it is proposed to delete this audit from the plan.
Risk Management		Advice provided through regular attendance at Corporate Risk Management Group.
Transfer of Assets		In progress.
Business ownership of systems		In progress.
Training and Development		Planned for quarter 3.
OP3 - Open for Business		
Local Enterprise Projects		Planned for quarter 4.
Broadband project		Ongoing advice regarding the process for checking the information provided by the contractor so that invoices can be paid.
Improvement & Efficiency West Midlands (IEWM)		Planned for quarter 4.
OP4 – Children and Families		
SEN(D) Transport		Terms of Reference drafted.

Area/system	Date final report issued	Status/assurance level given
Local Offer 2014 Children's Families Act		Planned for quarter 3.
Child Academic Improvements in Care Homes		Terms of Reference agreed.
Foster Payments		Terms of Reference drafted.
Foster Carers - the Foster Carer Journey		Discussions have taken place to inform the terms of reference.
School Themed Audits		Terms of Reference drafted. Visits booked.
Stronger Families programme		Following discussions with the Head of Service about priorities it is proposed to replace with a review of Direct Payments – Children with Disabilities.
Business Support Service		Planned for quarter 4.
Early Help Commissioning		Planned for quarter 4.
Safeguarding		Discussions have taken place to inform the terms of reference.
OP5 – The Environment		
Highways Customer and Community		Planned for quarter 3.
Transport		Discussions have taken place to inform the terms of reference.
Flood Management		Terms of Reference drafted.
Evesham Abbey Bridge		Discussions with the Director of BEC indicate that specialists in forensic delays have been appointed. This audit may therefore need to be deleted or the focus changed.

Area/system	Date final report issued	Status/assurance level given
Highways Maintenance Contract		Planned for quarter 4.
Malvern Link and Worcester Foregate Street Enhancement contract		Discussions have taken place to inform the terms of reference.
OP6 – Health and Wellbeing		
Direct Payments		Planned for quarter 4.
E Market Place		Planned for quarter 3.
Commissioning		Planned for quarter 3.
Adult and Social Care Annual Review Process		Advisory work planned. Meetings conducted to inform the Terms of Reference.
Deferred Payments Scheme		Planned for quarter 3.
Post Implementation - Care Act		Planned for quarter 4.

5. Appendix 2: Summary of Recommendations (final reports only)

Assignment	High	Medium	Low	Total	Overall opinion
Work relating to 2014/15					
Registrars	2	8	0	10	Substantial
Community Safety	N/A	N/A	N/A	N/A	RAG rating
Growing Places Fund	0	1	0	1	Substantial
Archaeology	0	3	3	3	Substantial
Work Relating to 2015/16					
School Fund Income	7	3	1	11	N/A
Total for period ending 31 July 2015					

6. Appendix 3: List of Internal Audits to be considered for Publication

6.1. The following reports will be published following consideration of whether any data in a report would require redaction prior to publishing. It should be noted to date that only Internal Audit reports where an opinion has been given have been published.

- Local Enterprise Project
- Payroll
- Pensions
- Bank Reconciliations
- Cost of Change - Redundancy Costs
- Future Operating Model
- PFI Waste
- Registrars
- Community Safety
- Growing Places Fund
- Archaeology
- Freedom of information

6.2 Published reports can be accessed by the following link:

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