

November 2015

**Internal Audit Progress Report
1 August to 31 October 2015**



Contents

Section	Page
1. Introduction	3
2. Internal audit work completed 1 August to 31 October 2015	3
3. Other significant work	4
4. Appendix 1: Summary of progress against the agreed Audit Plan 2015/16	6
5. Appendix 2: Summary of Recommendations (final reports only)	12
6. Appendix 3: List of Internal Audits to be considered for Publication	13
7. Appendix 4: Follow Up of Fundamental Recommendations	14

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 August 2015 to 31 October 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 August to 31 October 2015

- 2.1. Since the last report to the Committee, the remaining 2014/15 audits have been completed and work has progressed 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. Apart from the Use of Consultants audit 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. As requested by the Audit and Governance Committee the current status of Fundamental recommendations, the most important, is detailed in Appendix 4. This appendix lists those audits with Fundamental recommendations which are due to be implemented.
- 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 to date are excellent with an average score of 4.86 (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 and in progress in the last report to the Audit and Governance Committee on 16 September 2015. The following final reports have now been issued:

- Archaeology
- Registrars
- Community Safety
- Growing Places Fund

2.8. 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](http://www.worcestershire.gov.uk/info/20003/council_democracy_and_councillor_information/1076/internal_audit)

2015/16 Internal Audit Plan

2.9. 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 has been affected by the time spent on investigations which is explained in paragraph 3.7 below. The time spent to date exceeds the provision in the original plan but the time required on directorate risks and advice is lower than planned so the level of investigations is not expected to significantly affect planned assurance work. This will however be kept under review and an update will be provided to future meetings of the Committee.

3. Other significant work

3.1. Internal Audit has also carried out work in a number of other areas during the period ending 31 October 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. To date the exercise has identified one case of a private residential care home failing to notify the death of a resident to the Council, which has resulted in the recovery of approximately £10,000.

Grant claims

3.3. A total of 7 grant claims have been reviewed to ensure accuracy and compliance with relevant grant conditions:

- Bus Services Operators Grant Ringfenced Revenue Grant
- Additional Highways Maintenance Grant
- Local Pinch Point Fund
- Local Sustainable Transport Fund
- Local Transport Capital Block Funding 13/14
- Local Transport Capital Block Funding 14/15
- Pot Hole Fund 14/15

These were all satisfactory.

Advice

- 3.4. 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.
- 3.5. 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.
- 3.6. Between 1 August and 31 October 2015 , Internal Audit has advised on a number of areas including:
- **Commissioning of Learning and Achievement** - This work was included in the 2014/15 audit plan and undertaken by PricewaterhouseCoopers while the tendering process for the Service was underway. We highlighted a number of issues which the Council was able to consider and to take into account when finalising the contract.
 - **Superfast broadband project** - Internal Audit has continued to support this project since the previous update to the Committee, providing advice regarding the process for checking the information provided by the contractor so that invoices can be paid.
 - **Risk Management** - Internal Audit continues to attend regular meetings of the Corporate Risk Management Group and provides advice and guidance as required.
 - **Information Governance** - Internal Audit continues to attend regular meetings of the Corporate Information Governance Group and provides advice and guidance as required.
 - **DASH** - advice was sought from Internal Audit around the governance arrangements in relation to resident's accounts and appointeeships.
 - **Payroll** - advice was provided regarding automated approval processes.
 - **Governor Services** - assistance provided regarding school risk assessments/risk management arrangements.
 - **Libraries** – advice provided on procedures for cash handling.
 - **Schools Finance** – advice in respect of a school paying funds due to the Council into school funds and the impact on their budget deficit situation.

Special Investigations

- 3.7 This year a higher than normal number of irregularities have required internal audit resources and advice, including cash irregularities at two schools, a Day Centre and a library; an allegation of inappropriate claiming of time worked; a conflict of interest concern; failure to follow procurement procedures and falsification of records. More details will be provided to the Audit and Governance Committee when investigations are concluded.

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		Planned for Qtrs 3 to 4. Additional audit of Minimum Revenue Provision agreed for Qtr 3.
Capital Forecasting		Terms of Reference agreed. Work 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 4.
Adherence to Capital Accounting Practice		Terms of Reference agreed. Work in progress.
Feeder systems	November 2015	Final Report issued. Substantial.
National Fraud Initiative		Ongoing.
Grant certification		13 certifications completed to date this year. Ongoing.

Area/system	Date final report issued	Status/assurance level given
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
OP2 – Cross cutting audits		
Directorate Risks		Nothing has been requested to date.
Investigative work		Ongoing work as outlined in Para 3.7.
Intelligence led pro-active fraud investigations		Ongoing. Currently at the planning stage of using Fiscal software to analyse key financial data. Work is also underway to develop a counter fraud / investigations protocol.
Advice		Ongoing.
IT Security audit		Terms of Reference agreed. Work in progress by IT specialists.
IT Asset Configuration audit		Terms of Reference agreed. Work in progress by IT specialists.
IT Policy Framework		Terms of Reference agreed. Work in progress by IT specialists.
Use of Consultants		Final report issued and appears as a separate agenda item.
Performance Management		Planned for quarter 3.

Area/system	Date final report issued	Status/assurance level given
Commissioning		Planned for quarter 3.
Job evaluation/ Grading of posts		Planned for quarter 3.
Procurement		Planned for quarter 3.
Place Partnership		Planned for quarter 4.
Legal – Looked after children		Discussions indicate that the audit is unlikely to add value as much work has been undertaken in this area and therefore it is proposed to delete this audit from the plan once confirmation has been received from Children's Services that the work undertaken has met their needs.
Risk Management		Advice provided through regular attendance at Corporate Risk Management Group.
Transfer of Assets		Terms of Reference agreed. Work in progress.
Business ownership of systems		Terms of Reference agreed. Work in progress.
Training and Development		As the service is currently being reviewed and restructured that it would be more beneficial to postpone any audit work until after this is complete. This has been agreed by the Director of Commercial and Change and the Chief Financial Officer.
OP3 - Open for Business		
Local Enterprise Projects		Planned for quarter 4.

Area/system	Date final report issued	Status/assurance level given
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 agreed. Work in progress.
Local Offer 2014 Children's Families Act		Planned for quarter 3.
Child Academic Improvements in Care Homes		Draft Report issued.
Foster Payments		Terms of Reference agreed. Work in progress.
Foster Carers - the Foster Carer Journey		Terms of Reference drafted.
School Themed Audits		Draft reports on budgetary control and staffing issued.
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 3 to 4.
Early Help Commissioning		Terms of reference drafted.
Safeguarding		Planned for quarter 3 to 4.
OP5 – The Environment		

Area/system	Date final report issued	Status/assurance level given
Highways Customer and Community		Terms of Reference agreed by Head of Community and Environment awaiting Director approval.
Transport		Discussions with the Head of Community and Environment established that the audit is not now considered required. Confirmation has been sought from the Director of BEC for proposed deletion from the plan.
Flood Management		Terms of Reference agreed work in progress.
Evesham Abbey Bridge		Discussions with the Director of BEC indicate that specialists in forensic delays have been appointed. It is proposed therefore that the audit is deferred until 2016/17.
Highways Maintenance Contract		Planned for quarter 4.
Malvern Link and Worcester Foregate Street Enhancement contract		Discussions underway to agree timing of the audit.
OP6 – Health and Wellbeing		
Direct Payments		Planned for quarter 4.
E Market Place		Advisory worked planned during the design stage prior to development works being completed.
Commissioning		Planned for quarter 3.
Adult and Social Care Annual Review Process		Advisory work planned.

Area/system	Date final report issued	Status/assurance level given
Deferred Payments Scheme		Planned for quarter 3.
Post Implementation -Care Act		Planned for quarter 3.

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

Assignment	Fundamental	Significant	Merits Attention	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	6	Substantial
Work Relating to 2015/16					
School Fund Income Investigation	7	3	1	11	N/A
Feeder Systems	0	2	0	2	Substantial
Total for period ending 31 October 2015	9	17	4	30	

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

- 6.1. The following report will be published following consideration of whether it 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.
- Feeder systems
- 6.2 The Audit report on use of consultants which is a separate agenda item will also be published.
- 6.3 Published reports can be accessed by the following link:
http://www.worcestershire.gov.uk/info/20003/council_democracy_and_councillor_information/1076/internal_audit

7. Appendix 4: Follow Up of Fundamental Recommendations

Audit	Number of recommendations	Number due to be implemented	Number implemented	Number outstanding more than 2 months	Comments
Partnership Arrangements	3	3	3	0	
Early Help Strategy	4	4	0	4	A subsequent audit is planned for Qtr 3 2015/16 and status of recommendations will be confirmed during this audit.
One-time Vendors	1	1	0	1	Accounts Payable Officers are completing work to address the finding and will provide an update as soon as possible.
Joint Commissioning Unit - Contract Management (residential & Nursing Care)	2	2	2	0	
Local Enterprise Projects	4	4	4	0	
Children's Social Care	5	5	0	5	Awaiting confirmation from Head of Children's Social Care.
Future Fit - Benefit Realisation	4	4	4	0	

Audit	Number of recommendations	Number due to be implemented	Number implemented	Number outstanding more than 2 months	Comments
Procurement – Street Lighting	2	2	2	0	
Computer Recycling	3	3	3	0	
IT Disaster Recovery	2	2	0	2	Due to services being commissioned to a new provider, further works are due to be carried out during the first half of 2016.
Data Centre Operations	3	3	1	2	Due to services being commissioned to a new provider, further works are due to be carried out during the first half of 2016.
Not in Employment Education or Training	1	1	1	0	
Debtors	1	1	1	0	
Commissioning of High Cost Care Packages	3	3	3	0	
SAP Authorisations Follow Up	2	2	2	0	

Audit	Number of recommendations	Number due to be implemented	Number implemented	Number outstanding more than 2 months	Comments
Schools Procurement Cards	7	7	0	7	Confirmation has been sought that Schools have been advised of correct procedures.
-North Bromsgrove High	2	2	2	0	
-Pitmaston	1	1	1	0	
-St Clements	1	1	1	0	
-St Andrews	1	1	1	0	
-Oldbury Park	3	3	3	0	
-St Georges Worcester	6	6	6	0	
Travel and Subsistence – Councillors	1	1	1	0	
Councillor ICT Arrangements	2	2	2	0	
Use of Agency Staff	1	1	0	1	Awaiting confirmation

Audit	Number of recommendations	Number due to be implemented	Number implemented	Number outstanding more than 2 months	Comments
Safeguarding in Schools	3	3	3	0	
-Claines Primary	1	1	1	0	
Design Services Contract	5	5	5	0	
Schools Procurement Follow up	7	7	7	0	
Procurement	3	3	3	0	
Primary Schools Grant	1	1	1	0	
Cost of Change	1	1	1	0	
Delayed Transfer of Care	1	1	0	1	Awaiting confirmation
Future Operating Model	1	1	1	0	
LEP	1	1	0	1	Awaiting confirmation