

February 2016

**Internal Audit Progress Report
1 November to 31 January 2016**



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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 November 2015 to 31 January 2016 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 November to 31 January 2016

- 2.1. Since the last report to the Committee, 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. There are no audits in this category issued during this period.
- 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 April 2016 and the status of the high recommendations will be reported on to the next meeting of the Committee in June 2016.
- 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.
- 2.7. Work is in progress on the 2015/16 plan. A detailed statement showing actual audit activity for the year is shown in Appendix 1 and non-audit work is covered in section 3 below.
- 2.8. Ten audits have been completed (four relating to 2014/15), management responses received and final reports issued. 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

- 2.9. Progress on the 2015/16 plan has been affected by the work needed on investigations, extra time required on the consultants audit which was reported to the last meeting and also by the amount of time required to complete 2014/15 audits which were in progress at the time of the transfer of the audit service to Warwickshire. Induction and IT issues arising from the transfer were under estimated and more recently the long term sickness of an auditor has affected progress. A significant number of audits are in progress and we are working hard to finalise these but some audits will slip into 2016/17 but it is not anticipated that this will impact on the ability to provide an overall opinion.

3. Other significant work

- 3.1. Internal Audit has also carried out work in a number of other areas during the period ending 31 January 2016 and this is set out below.

Grant claims

- 3.2. A total of 2 further grant claims have been reviewed to ensure accuracy and compliance with relevant grant conditions:
- Bus Services Operators Grant
 - Regional Growth Fund

These were no issues arising from this work.

Advice

- 3.3. 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.
- 3.4. 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 resources.
- 3.5. Between 1 November and 31 January 2016, Internal Audit has advised on a number of areas including:
- **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
- **Commissioning** - advice was provided on the internal audit arrangements relating to the Liberata transactional HR and Finance contract
- **Children's Services Finance** – advice and support regard to a School paying income into a private school fund bank account that is due to the delegated budget
- **Children's Services Finance** – advice given regarding the risks associated with a maintained school looking to contract much of its financial management arrangements to a third party.

Special Investigations

- 3.6. There have been no new allegations of irregularities reported to internal audit since the last Audit and Governance Committee. Of those reported to the last Committee further work has been carried out on irregularities at a Day Centre and a library; an allegation of inappropriate claiming of time worked and falsification of records. The allegation of inappropriate claiming of time worked has progressed to disciplinary stage. The falsification of records case has now been passed over to the police for further action. The Day Centre case was referred to the police who have made an arrest and the individual has been bailed. “Lessons learnt” reports will be prepared in due course and key issues arising 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:		
Payroll		Terms of Reference agreed. Work in progress.
Pensions Administration		A follow up of the previous audit recommendations is planned. Terms of Reference issued and awaiting agreement.
Pensions Investments		Initial meetings held to inform the Terms of Reference. Terms of Reference issued and awaiting agreement.
Pensions Governance		Initial meetings held to inform the Terms of Reference. Terms of Reference issued and awaiting agreement.
Capital Forecasting		Terms of Reference agreed. Work in progress.
Minimum Revenue Provision		Completed. To be reported with MTFP.

Area/system	Date final report issued	Status/assurance level given
Medium Term Financial Plan (MTFP)		Terms of Reference agreed. Work in progress.
Controls around Purchase Order/Payments		Terms of Reference issued and awaiting agreement.
Self Service for Finance		The implementation of Self Service has slipped from the original planned date therefore it is proposed to defer the audit until 2016/17 at the request of the Chief Financial Officer.
Adherence to Capital Accounting Practice		Advisory work completed.
Feeder systems	November 2015	Final Report issued. Substantial opinion.
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. • Complete
OP2 – Cross cutting audits		
Directorate Risks		One school audit has been undertaken and a draft report produced.
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.

Area/system	Date final report issued	Status/assurance level given
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 External Consultants	November 2015	Final report issued and appeared as a separate agenda item at the last committee. Limited Opinion.
Performance Management		Terms of Reference issued and awaiting agreement.
Commissioning		Terms of Reference agreed. Work In progress. One report to be produced covering both topics.
Procurement		
Job evaluation/ Grading of posts		Terms of Reference issued and awaiting agreement.
Place Partnership		Terms of Reference issued. Advisory work planned.
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.
Transfer of Assets		Terms of Reference agreed. Work in progress.
Business ownership of systems		Terms of Reference agreed. Work in progress.

Area/system	Date final report issued	Status/assurance level given
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		Terms of Reference agreed. Work in progress.
Improvement & Efficiency West Midlands (IEWM)		Terms of Reference issued and awaiting agreement.
OP4 – Children and Families		
SEN(D) Transport		Terms of Reference agreed. Work in progress.
Local Offer 2014 Children's Families Act		Advisory work in progress.
Child Academic Improvements in Care Homes	January 2016	Final Report issued. Substantial.
Foster Payments		Terms of Reference agreed. Work in progress.
Foster Carers - the Foster Carer Journey		Terms of Reference issued and awaiting agreement.
School Themed Audits	December 2015.	Final report issued on budgetary control.
	January 2015.	Final report issued on staffing.

Area/system	Date final report issued	Status/assurance level given
Stronger Families programme		<p>Advice given prior to the initial claim being submitted under phase 2 of the scheme including a sample check to confirm appropriate supporting evidence was held for each of the families for whom a payment by results payment was being claimed.</p> <p>Following discussions with the Head of Service about priorities this audit will be replaced with a review of Direct Payments – Children with Disabilities.</p>
Early Help Commissioning		Terms of Reference agreed. Advisory work in Progress.
Safeguarding		Terms of Reference issued for approval. Work in Progress.
Business Support Service		
OP5 – The Environment		
Highways Customer and Community		Terms of Reference agreed. Work in Progress.
Transport		<p>Discussions with the Head of Community and Environment established that the audit is not now considered required. Confirmation has been received from the Director of BEC for deletion from the plan.</p>
Flood Management		Draft report issued. Management responses received.

Area/system	Date final report issued	Status/assurance level given
Evesham Abbey Bridge		Discussions with the Director of E&I indicate that specialists in forensic delays have been appointed. It was reported to the December Audit and Governance Committee that the audit should be deferred until 2016/17. Further discussions with the Director of E&I indicate that the audit should be deleted from the plan.
Highways Maintenance Service Contract		Terms of Reference issued. Work in Progress.
Malvern Link and Worcester Foregate Street Enhancement contract		Discussions underway to agree timing of the audit. Alternative audit of Bromsgrove rail contract may be required.
OP6 – Health and Wellbeing		
Direct Payments		Two audits planned. Direct Payments - Children. Terms of Reference agreed. Work in progress. Direct Payments – Adults. Terms of Reference drafted.
E Market Place		Advisory worked planned during the design stage prior to development works being completed.
Commissioning		Terms of Reference agreed. Work in Progress.
Adult and Social Care Annual Review Process		Advisory work planned.
Deferred Payments Scheme		Terms of Reference issued for approval.
Post Implementation - Care Act		Terms of Reference issued and awaiting agreement.

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
Use of External Consultants	6	13	1	20	Limited
Child Academic Improvements in Residential Homes	0	3	7	10	Substantial
School Themed Audit - Budgetary Control	0	5	1	6	Substantial
School Themed Audit - Staffing	0	1	0	1	Substantial
Total for period ending 31 January 2016	15	39	13	67	

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

6.1. The following reports will be published following consideration of whether they 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.

- Child Academic Improvements in Residential Homes
- School Themed Audit – Budgetary Control
- School Themed Audit - Staffing.

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