

Audit Committee

29 February 2016

Internal Audit Progress Report Period Ended 31 December 2015



Report of the Chief Internal Auditor and Corporate Fraud Manager

Purpose of the Report

1. To inform Members of the work that has been carried out by Internal Audit during the period 1 April 2015 to 31 December 2015 as part of the 2015/2016 Internal Audit Plan.
2. The report aims to:
 - Provide a high level of assurance, or otherwise, on internal controls operating across the Council that have been subject to an Internal Audit of systems and processes.
 - Advise of issues where controls need to be improved in order to effectively manage risks.
 - Advise of other types of audit work carried out such as grant certification or consultancy reviews where an assurance opinion on the control environment may not be applicable.
 - Advise of amendments to the Internal Audit Plan.
 - Track the progress of responses to Internal Audit reports and the implementation of agreed audit recommendations.
 - Advise of any changes to the audit process.
 - Provide an update on the performance indicators comparing actual performance against planned.
3. The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).

| | |
|-------------|---|
| Appendix 2 | Progress against the Internal Audit Plan |
| Appendix 3 | Final Reports issued in the quarter ending 31 December 2015 |
| Appendix 4 | The number of high and medium priority actions raised and implemented |
| Appendix 5 | Internal Audit Performance Indicators |
| Appendix 6* | Overdue Actions |
| Appendix 7* | Limited Assurance Audit Opinions |

Background

4. As an independent consultancy service, the Council's Internal Audit Team strives to continue to add value and improve the organisation's operations as well as providing objective assurance to service managers and the Council.
5. The Internal Audit Strategy and Annual Internal Audit Plan, covering the period 1 April 2015 to 31 March 2016, was approved by the Audit Committee on 29 June 2015.

Progress against the Internal Audit Plan

6. A summary of the approved Internal Audit Plan for each Service Grouping, updated to include work in progress and any audits brought forward from last year's plan, is attached at Appendix 2. The appendix illustrates the current status of each audit as at 31 December 2015 and, where applicable, also gives the resultant assurance opinion.
7. A summary of the status of audits in 2015/16 is illustrated in the table below:

| Service Grouping | Not Started | Planning and Preparation | In Progress | Draft Report | Final Report |
|---|-------------|--------------------------|-------------|--------------|--------------|
| Assistant Chief Executive (ACE) | 1 | 5 | 1 | 2 | 6 |
| Children and Adult Services (CAS) excluding Schools | 2 | 16 | 15 | 1 | 20 |
| Children and Adult Services (CAS) - Schools | 13 | 7 | 4 | 1 | 38 |
| Neighbourhood Services (NS) | 0 | 19 | 11 | 2 | 20 |
| Regeneration and Economic Development (RED) | 1 | 8 | 2 | 2 | 12 |
| Resources (RES) | 10 | 17 | 23 | 3 | 27 |
| TOTAL | 27 | 72 | 56 | 11 | 123 |

8. A summary of the final audit reports issued in this quarter is presented in Appendix 3.

9. The total number of productive Internal Audit days required to deliver the plan is 4,888. As at 31 December, the service has delivered 3,491 productive days, representing 71% of the total plan. The target at the end of the quarter was for 67.5% to be delivered, therefore performance is in line to achieve the target.

Audit Activity in the Quarter

Amendments to the Approved 2015/2016 Internal Audit Plan

10. The following 14 reviews are to be removed from the approved Internal Audit Plan this quarter, following agreement between Corporate Directors and the Chief Internal Auditor and Corporate Fraud Manager:

| Service Grouping | Audit | Audit Type | Reason |
|-----------------------------------|--|----------------------|--|
| Assistant Chief Executive (ACE) | Community Engagement (Consultation Strategy) | Advice & Consultancy | Service request to remove this advice and consultancy review. |
| Children and Adult Services (CAS) | Continuing Health Care | Assurance | Agreed with key contact to defer review whilst activity is undergoing period of significant change. |
| Children and Adult Services (CAS) | Personal Budgets | Assurance | The focus of review in looking to detect / prevent fraud is to be undertaken by the Corporate Fraud Team which is better positioned to deliver it. |
| Children and Adult Services (CAS) | Brokering of external providers of school improvement services | Assurance | Activity cancelled with agreement of key contact following an increase in perceived assurance that external delivery is being provided through a smaller, well known group of providers. |
| Children and Adult Services (CAS) | Careers Service | Assurance | Activity deferred with agreement of key contact following prioritisation of total work deliverable by IA by 31 March 2016. |
| Children and Adult Services (CAS) | Education and Business Link | Assurance | Activity deferred with agreement of key contact following prioritisation of total work deliverable by IA by 31 March 2016. |
| Children and Adult Services (CAS) | DCRS - Quality of information held to inform key service PIs | Assurance | Activity deferred with agreement of key contact following prioritisation of total work deliverable by IA by 31 March 2016. |
| Children and Adult Services (CAS) | Petty Cash and Imprest Accounts at Locality Offices | Assurance | Agreed with key contact to defer review whilst service reorganisation is undertaken. |

| Service Grouping | Audit | Audit Type | Reason |
|-----------------------------------|---|----------------------|--|
| Children and Adult Services (CAS) | Integration of Financial Services Team within Revenues and Benefits | Advice & Consultancy | Cancelled, with agreement of key contact, following service restructure and transfer of staff. |
| Resources (RES) | Confidential Reporting Code | Assurance | This assurance review is to be cancelled, as the planned scope of the work is included within the key system review of the Counter Fraud arrangements. |
| Resources (RES) | Agency System | Assurance | Deferred to 2016/17 to allow for an investigation to be carried out into unworked hours being paid through the agency system. |
| Resources (RES) | Attendance Management Framework (AMF) | Assurance | Deferred to 2016/17 as the revised AMF has only recently been introduced and it would be useful to allow it some time to 'bed in' before carrying out the audit. |
| Resources (RES) | Document Retention | Advice & Consultancy | Cancelled as the planned scope of the review is included within the work stream covering petty cash and payment cards. |
| Resources (RES) | Health Visitors / Family Practitioners transfer | Advice & Consultancy | Cancelled as the transfer process (a single contract with a single supplier) was a lot less complex than originally thought. |

11. There have been 21 unplanned reviews added to the Internal Audit Plan in this quarter. Of these, 11 are potential fraud or irregularity investigations.

12. The 10 other reviews, which are to be sourced from the service contingency provision within the Internal Audit Plan, are detailed below:

| Service Grouping | Audit | Audit Type | Reason |
|-----------------------------------|---|----------------------|---|
| Children and Adult Services (CAS) | Provision of 0-19 Services | Advice & Consultancy | Service request following award of contract to new provider from 01 April 2016. |
| Children and Adult Services (CAS) | Reablement Car Mileages | Advice & Consultancy | Service request following identification of mileage overpayments. |
| Children and Adult Services (CAS) | PharmOutcomes - Alcohol Brief Interventions Service | Advice & Consultancy | Service request in the development of suitable internal controls associated with introducing PharmOutcomes as the system for receiving Alcohol Brief Interventions (ABI) Service claims from Pharmacies with effect from 01 January 2016. |

| Service Grouping | Audit | Audit Type | Reason |
|---|--|----------------------|--|
| Children and Adult Services (CAS) | Pathway establishment closures | Assurance | Service request to undertake establishment review at Ebony Woodwork prior to closure. |
| Children and Adult Services (CAS) | Extra Care pre-paid cards | Advice & Consultancy | Service request in relation to the roll out of pre-paid cards following the Council's change of bank provider. |
| Neighbourhood Services (NS) | Review of application for additional funding | Advice & Consultancy | Service request to add this review. |
| Regeneration and Economic Development (RED) | FAP Policy Loans Process | Assurance | Request to add this review to the plan, as the process for managing loans has recently been brought back in house. |
| Resources (RES) | Workstream on Petty Cash and Payment Cards | Advice & Consultancy | Working group established to deliver improvements in the processes for petty cash and payment cards. |
| Resources (RES) | Transactional Purchasing Improvement Group | Advice & Consultancy | Working group established to deliver improvements in the processes for raising and processing requisitions. |
| Resources (RES) | ResourceLink Migration Group | Advice & Consultancy | Working groups established to develop specification for the potential migration of payroll/HR processes from ResourceLink to Oracle. |

Outstanding Management Responses to Draft Internal Audit Reports

13. There are currently no draft audit reports overdue at the time of writing.

Survey Response Rate

14. The table below sets out the response rate and average score, by Service Grouping, for the customer satisfaction surveys issued during the period up to the end of December 2015.

| Service Grouping | Surveys issued | Surveys returned | % returned | Av. score |
|---|----------------|------------------|------------|------------|
| Assistant Chief Executive (ACE) | 3 | 2 | 67 | 4.4 |
| Children and Adult Services (CAS) excluding Schools | 10 | 7 | 70 | 4.5 |
| Children and Adult Services (CAS) - Schools | 35 | 21 | 60 | 4.9 |
| Neighbourhood Services (NS) | 16 | 14 | 88 | 4.5 |
| Regeneration and Economic Development (RED) | 11 | 9 | 82 | 4.4 |
| Resources (RES) | 29 | 23 | 79 | 4.1 |
| TOTAL | 104 | 76 | 73 | 4.5 |

Responses to Audit Findings and Recommendations

15. Details of the numbers of High and Medium priority ranked recommendations that have been raised and those that are overdue, by Service Grouping, are presented in Appendix 4.
16. A summary of progress on the actions due, implemented and overdue, as at 31 December 2015, is given in the table below:

| Service Grouping | Number of Actions Due to be Implemented | Number of Actions Actually Implemented | Actions Overdue by Agreed Original Target Date | Actions with an Agreed Revised Target Date | Actions Overdue by Revised Target Date |
|---|---|--|--|--|--|
| Assistant Chief Executive (ACE) | 13 | 10 | 3 | 3 | 0 |
| Children and Adult Services (CAS) | 142 | 142 | 0 | 0 | 0 |
| Neighbourhood Services (NS) | 206 | 189* | 17 | 17 | 0 |
| Regeneration and Economic Development (RED) | 91 | 82 | 9 | 9 | 0 |
| Resources (RES) | 465 | 449 | 16 | 16 | 0 |
| TOTAL | 917 | 872 | 45 | 45 | 0 |

* Note: This figure includes 5 high priority actions for which evidence of implementation is to be reviewed as part of follow up audit.

17. It is encouraging to note that, of the 917 actions due to be implemented, 872 (95%) have been implemented. The Chartered Institute of Public Finance and Accountancy (CIPFA), benchmarking exercise indicates that average performance in this area to be between 70% to 80%. At present the Council is delivering in excess of this target.
18. Details of the actions that are overdue, following their agreed original target dates, are included at Appendix 6.

Limited Assurance Audit Opinions

19. There have been two audits finalised in this quarter that have been issued with a 'limited assurance' opinion. These are:

| Service Grouping | Service Area | Audit |
|-----------------------------|--------------------|--|
| Neighbourhood Services (NS) | Technical Services | Civil Engineering Framework Sub £20k |
| Neighbourhood Services (NS) | Direct Services | Electrical Components Procurement Card Expenditure |

20. Further details of the findings from these audits are included within Appendix 7.

Performance Indicators

21. A summary of our actual performance, at the end of December 2015, compared with our agreed targets is illustrated in Appendix 5.

Recommendations

22. Members are asked to note:

- The amendments made to the 2015/2016 Annual Audit Plan.
- Work undertaken by Internal Audit during the period ending 31 December 2015 and the assurance on the control environment provided.
- The performance of the Internal Audit Service during the period.
- Progress made by service managers in responding to the work of Internal Audit.

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Appendix 1: Implications

Finance

No direct implications as a result of this report.

Staffing

None

Risk

None

Equality and Diversity/Public Sector Equality Duty

None

Accommodation

None

Crime and disorder

None.

Human rights

None

Consultation

All Corporate Directors and Heads of Service.

Procurement

None

Disability Issues

None

Legal Implications

None