

**Agenda Item: 14****INTERNAL AUDIT ANNUAL REPORT 2016/17**

**To: Audit & Accounts Committee**  
**Date: 30<sup>th</sup> May 2017**  
**From: LGSS Chief Internal Auditor**

***Purpose:*** The Public Sector Internal Audit Standards require that the Chief Internal Auditor presents an annual report to the Authority's Audit & Accounts Committee. This is reflected in the terms of reference of the Authority's Audit & Accounts Committee.

The purpose is for the Audit & Accounts Committee to consider the Annual Internal Audit Report for 2016 – 17 and be made aware of the Chief Internal Auditor's opinion on the state of the Internal Control Framework within Cambridgeshire County Council.

***Key issues:*** The Annual Internal Audit Report forms part of the evidence that supports the Authority's Annual Governance Statement 2016 – 17.

***Recommendation:*** The Committee is requested to consider and approve the Annual Internal Audit Report.

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# INTERNAL AUDIT SERVICE

## INTERNAL AUDIT ANNUAL REPORT 2016/17

DUNCAN WILKINSON, CHIEF INTERNAL AUDITOR

30<sup>th</sup> May 2017

**LGSS Internal Audit & Risk Management  
Annual Report 2016/17**

***Cambridgeshire County Council***

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## **1. INTRODUCTION**

### **1.1 *The Annual Reporting Process***

- 1.1.1 The Public Sector Internal Audit Standards (Performance Standard 2450) state that the Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. Cambridgeshire County Council's Chief Audit Executive is the LGSS Chief Internal Auditor.
- 1.1.2 The annual report is required to incorporate the opinion; a summary of the work that supports the opinion; and a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement plan.

## 2. CHIEF INTERNAL AUDITOR OPINION 2016/17

### 2.1 Chief Internal Auditor Opinion

- 2.1.1 The Public Sector Internal Audit Standards (Performance Standard 2450) state that *'the Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.'* This must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.
- 2.1.2 My opinion is derived from an assessment of the range of individual opinions arising from assignments contained within the risk-based Internal Audit Plan. This assessment has taken account of the relative materiality of these areas, and management's progress in addressing control weaknesses.
- 2.1.3 In 2016/17, the Internal Audit service has operated with an adequate level of resource to deliver an annual audit opinion. Internal Audit operates independent of the organisation, as per the Internal Audit Strategy and Charter, and there have been no compromises of Internal Audit's independence in its operation this year.

*On the basis of the audit work undertaken during the 2016/17 financial year, an opinion of **good** assurance is awarded. The internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. In addition, there are no outstanding significant issues arising from the work undertaken by Internal Audit*

*However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.*

*The level of assurance therefore remains at a similar level from 2015/16.*

### **3. REVIEW OF INTERNAL CONTROL**

#### **3.1 How Internal Control is reviewed**

- 3.1.1 In order to support the annual Internal Audit opinion on the internal control environment, each year Internal Audit develops a risk-based Audit Plan. This includes a comprehensive range of work to confirm that all assurances provided as part of the system of internal audit can be relied upon by stakeholders.
- 3.1.2 The changing public sector environment and emergence of new risks increasingly necessitates a flexible approach and re-evaluation of the Audit Plan throughout the year. In 2016, the Cambridgeshire Internal Audit Plan was reviewed and revised in August to improve its alignment to the Council's major Transformation Programme. The revised Plan was approved by the September meeting of the Audit & Accounts Committee. Further minor revisions, to reflect the changing risk profile of the organisation, were approved on an ongoing basis throughout the year.
- 3.1.3 Each Internal Audit review has three key elements. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables Internal Audit to give an assurance on the control environment.
- 3.1.4 However, controls are not always complied with, which will in itself increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This enables Internal Audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.
- 3.1.5 Finally, where there are significant control environment weaknesses or where key controls are not being complied with, further substantive testing is undertaken to ascertain the impact these control weaknesses are likely to have on the organisation's control environment as a whole.
- 3.1.6 Three assurance opinions are therefore given at the conclusion of each audit: control environment assurance, compliance assurance, and organisational impact. To ensure consistency in reporting, the following definitions of audit assurance are used:

<b>Control Environment Assurance</b>	
<b>Level</b>	<b>Definitions</b>
Substantial	There are minimal control weaknesses that present very low risk to the control environment
Good	There are minor control weaknesses that present low risk to the control environment
Moderate	There are some control weaknesses that present a medium risk to the control environment
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment

<b>Compliance Assurance</b>	
<b>Level</b>	<b>Definitions</b>
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

- 3.1.7 Organisational impact will be reported as major, moderate or minor (as defined below). All reports with major organisation impacts are reported to SMT, along with the agreed action plan.

<b>Organisational Impact</b>	
<b>Level</b>	<b>Definitions</b>
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

- 3.1.8 Specifically for the compliance reviews undertaken, the following definitions will be used to assess the level of compliance in each individual reviewed:

Opinion for Compliance Audits – Levels of Compliance	
Level	Definitions
High	There was significant compliance with agreed policy and/or procedure with only minor errors identified.
Medium	There was general compliance with the agreed policy and/or procedure. Although errors have been identified there are not considered to be material.
Low	There was limited compliance with agreed policy and/or procedure. The errors identified are placing system objectives at risk.

## 3.2 *The Basis of Assurance*

- 3.2.1 The findings and assurance levels provided by the reviews undertaken throughout 2016/17 by Internal Audit form the basis of the annual opinion on the adequacy and effectiveness of the control environment.
- 3.2.2 In 2016/17, the Audit Plan has been based on assurance blocks that each give an opinion on the key control environment elements, targeted towards in-year risks, rather than a more traditional cyclical approach that looks at each system over a number of years. The Audit Plan reflects the environment in which the public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, better assurance, safeguarding and making every penny count.



## Section 4

### 4. INTERNAL AUDIT IN 2016/17

#### 4.1 Overview and Key Findings

4.1.1 This section provides information on the audit reviews carried out in 2016-17, by assurance block.

4.1.2 For the reviews undertaken during 2016/17, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole.

4.1.3 In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis. An overview of the implementation of actions in 2016-17 is summarised in Table 1, below<sup>1</sup>:

**Table 1: Implementation of Audit Recommendations 2016-17**

	Category 'Red' recommendations	Category 'Amber' recommendations	Total
<b>Agreed and implemented.</b>	1	43	44
<b>Agreed and due within the last 3 months, but not yet implemented.</b>	0	4	4
<b>Agreed and due over 3 months ago, but not yet implemented.</b>	1	3	4
<b>TOTAL</b>	3	49	52

<sup>1</sup> Please note that the total reflects the number of recommendations required to be implemented within 2016-17, and therefore includes recommendations made in 2015-16.

4.1.4 One action relating to a risk rated “red” remains open at the end of the year. This relates to the need to raise awareness amongst Council officers of the costs to the Council of processing transactions through different means (for instance, the fact that it is more expensive to issue an invoice rather than take a debit card payment over the phone). This action and associated actions from this audit were delayed due to the Corporate Capacity Review, and they will now be implemented as part of the Civica Icon project, with a target date of the end of May 2017.

4.1.5 Of the other actions still outstanding at the end of the year, three further actions related to a review of Payment Methods. Implementation of these actions was delayed due to the Corporate Capacity Review, and they will now be implemented as part of the Civica Icon project. Of the remaining four actions, three are already partially completed and one has been delayed due to the project in question being re-scoped.

#### 4.2 *Financial and Other Key Systems*

4.2.1 This is the 2016/17 suite of annual core systems reviews, undertaken to provide assurance to management and External Audit that expected controls are in place for key financial systems; that these controls are adequately designed and are routinely complied with in practice. The work is focused on the systems that have the highest financial risk; these are agreed in advance with External Audit and assist in providing assurance to External Audit that systems recording transactions within the 2016/17 financial year are free from material misstatement. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

4.2.2 During 2016/17, the audits were undertaken as joint reviews of Cambridgeshire County Council and Northamptonshire County Council LGSS systems.

4.2.3 Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice although there are some minor areas where improvements have been recommended. The level of assurance provided for all key financial systems reviews was good or substantial overall.

4.2.4 Table 2 below details the assurance levels of all key systems audits undertaken in 2016/17, compared to the assurance levels in 2015/16. Where audits are marked with an asterisk, this indicates that the report is at draft stage at the time of writing, but the emerging opinion is included:

**Table 2 – Key Financial Systems Audits 2016/17**

Key Financial Systems:	Audit Opinion 2016-17		Audit Opinion 2015-16	
	Environment	Compliance	Environment	Compliance
Treasury Management*	Substantial	Substantial	Substantial	Substantial
Bank Reconciliation	Substantial	Substantial	Substantial	Substantial
Purchase to Pay	Substantial	Substantial	Substantial	Substantial
Accounts Receivable	Substantial	Substantial	Substantial	Substantial
Payroll	Substantial	Substantial	Substantial	Substantial
Pensions*	Substantial	Substantial	Good	Good
General Ledger	Substantial	Good	Substantial	Substantial
IT General Controls	Substantial	Good	Substantial	Substantial

4.2.5 In relation to the General Ledger review, the compliance assurance was good rather than substantial, as although there was a process for reconciling the General Ledger to the payroll control account and reviewing the payroll suspense account, these processes were not being formally reviewed and signed off and the extent to which differences were being identified and corrected was not clear. The service has agreed recommendations to ensure that formal review and sign-off takes place, and that differences are identified and corrected appropriately.

4.2.6 In relation to the IT General Controls review, the compliance assurance was good rather than substantial, as user access reviews of the key financial systems had not taken place for the first quarters of the financial year, although reviews had taken place in the final quarter. Testing also identified users whose accesses should have been removed as their role had changed or they had left the Authority. Recommendations to address these issues have been agreed with the service.

### 4.3 Compliance

4.3.1 Compliance work is fundamental, as it provides assurance across all Directorates and therefore underpins the Head of Internal Audit opinion on the control environment. The audit coverage for compliance is underpinned by an assessment of the Council's framework of controls (often directed by policies and procedures) and includes a focus on those core areas where a high level of compliance is necessary for the organisation to carry out its functions properly. The work involves compliance checks across the

organisation to provide assurance on whether key policies and procedures are being complied with in practice. As a part of this work, the existing controls are challenged to ensure that they are modern, effective and proportionate.

4.3.2 As well as a range of procurement compliance reviews, discussed below at 4.4, the Plan for 2016/17 included coverage of compliance in the following areas:

- Compliance with the Council's Scheme of Delegation;
- Compliance with policies on the use of agency staff;
- Officer compliance with the Council's policies on overtime, travel and subsistence and the use of purchase cards.

4.3.3 The sample testing undertaken throughout the year has not identified any significant non-compliance issues. Where weaknesses have been identified, recommendations have been made to improve procedures and controls; all recommendations which are considered to be of significant impact on the control environment are followed up by Internal Audit to ensure they have been implemented.

#### 4.4 *Risk-Based Reviews*

4.4.1 Risk-based reviews have been a key element of the assurance on the entire control environment of the authority in 2016/17. This assurance block includes reviews which have been targeted towards key areas of high risk, as identified through consultation with senior management, review of risk registers, and the Internal Audit risk assessment of the organisation. This block also incorporates on-going work on initiatives to promote the value of *making every penny count*. Each audit we undertake includes consideration of value for money at its core.

4.4.2 This assurance block includes audit work undertaken using our 'embedded assurance' approach; this applies to reviews where auditors attended Project Boards and/or gave independent advice and support to project or programme work, with periodic reporting as appropriate. In particular, in 2016/17 the Audit Plan was reviewed in August to include a greater focus on the Council's Transformation Programme.

4.4.3 The outcomes of all risk-based reviews issued in 2016/17 can be seen at Appendix 1.

#### 4.5 *Procurement and Contracts Reviews*

4.5.1 In 2016/17, Internal Audit has provided advice and support to the Highways Transformation programme and the associated ongoing competitive

dialogue. Work has also been conducted focusing on the Street Lighting and Waste PFIs. Reviews in these key high-value contract areas will continue into the 2017/18 financial year, with a focus on the ongoing contract management of the Highways Contract.

4.5.2 In addition, a number of cross-cutting reviews have been undertaken, with a particular focus on key aspects of the Council's procurement framework, including:

- Reviews of compliance with EU Procurement Regulations; off-contract expenditure; and contract extensions.
- A review of procurement governance and the Contract Procedure Rules;
- A review of contract management.

4.5.3 The reviews undertaken throughout the year have not identified any significant non-compliance issues. Where weaknesses have been identified, recommendations have been made to improve procedures and controls. A particular theme which was identified from the compliance reviews was weak compliance with the processes for procurement exemption requests. A number of actions to address this have been agreed and an audit review focusing specifically on procurement exemptions is scheduled for 2017/18, which will follow up on this finding.

#### 4.6 *Anti-Fraud and Corruption*

4.6.1 This is a high-risk area across the public sector. LGSS Internal Audit undertakes work on anti-fraud and corruption, which includes both reactive and pro-active elements, along with a number of initiatives to raise awareness of the council's anti-fraud and corruption culture and to report on the arrangements in place, and pro-active fraud strategy work.

4.6.2 In 2016/17, pro-active work included the launch of a fraud awareness campaign, in conjunction with the Chartered Institute of Public Finance & Accountancy's (CIPFA) Counter Fraud Centre. This included a fraud awareness poster campaign and a new intranet page explaining how to report fraud and the warning signs, as well as posts on the Council's Daily Blog and in service/departmental newsletters. Towards the end of the year, draft updates of the Council's Anti-Fraud and Corruption and Money Laundering Policies were presented to the Audit & Accounts Committee.

4.6.3 Details of specific cases have been reported to the Audit and Accounts Committee throughout the year. In addition to the full investigations outlined in Table 3 below, advice and guidance is provided to officers on an ad-hoc basis.

**Table 3 – Investigations 2016-17**

Type of referral	No. referrals	Outcomes
<b>Alleged theft of cash</b>	3 cases	Of the 3 referrals, 2 were investigated. Of these one was visited and advice given on site, with recommendations accepted as preventative control measures. The other was closed as unable to prove; the service is no longer operating.
<b>Allegations in relation to misuse of concessionary travel passes.</b>	8 cases	<p>A positive partnership with the concessionary travel team has been established during the year. All reactive referrals received have been reviewed with appropriate conclusions, which included two cautions being issued and one referral on to the Department for Work and Pensions.</p> <p>With a view to preventative measures, the Counter Fraud officers have advised on working processes, including issuing warning letters in order to raise the awareness of compliance and deter others from abusing this service. Counter Fraud continue to support the service and further cases are being investigated in 2017/18.</p>
<b>Proactive partnership working with the Pensions service.</b>	33 cases	33 matters were investigated, to establish the facts where scheme member's payments had been frozen; without confirmation of the individual's circumstances, this could create a risk of fraud, or of overpayments not being recovered. 3 cases were identified as having recoverable overpayments following the death of members of the scheme. The team have also assisted the service to maintain records with date of death and changes of address.
<b>Allegations relating to a manager inappropriately acting as line manager for close family members and possibly approving fraudulent remuneration claims.</b>	1 case	This case was investigated and a disciplinary hearing concluded, with no further action to be taken by HR and management.

<b>Investigation into allegations relating to a transport service provider.</b>	1 case	This review is ongoing in 2017/18.
<b>Investigation into allegations relating to possible fraud against a Council contractor.</b>	1 case	This review is ongoing in 2017/18.

- 4.6.4 The National Fraud Initiative (NFI) data matching exercise was carried out for Cambridgeshire County Council in October 2016. This statutory exercise involves a data-matching exercise between public and private sector bodies to prevent and detect fraud. The Internal Audit team co-ordinated the collection and submission of the required datasets for Cambridgeshire County Council, and ensured that required Data Processing Notices were in place in advance of the data collection. The results of the exercise were received by the Council in February 2017, the process of following-up on identified matches is currently underway.

#### 4.7 *ICT and Information Governance*

- 4.7.1 Internal Audit work was directed to assessing the adequacy of risk management in the following important ICT and information governance risk areas during 2016-17. Where audits are marked with an asterisk, this indicates that the report is at draft stage at the time of writing, but the emerging opinion is included:

<b>Review Title</b>	<b>Control Assurance</b>	<b>Compliance Assurance</b>
IT Controls over financial systems	Substantial	Substantial
General Computer Controls*	Good	Good
ERP Gold	N/A – embedded review	
Records Management	Good	Moderate
Information Commissioner's Office Follow-Up	Moderate	Moderate
Information Governance Policies	Good	N/A

- 4.7.2 The Internal Audit team input to the Information Commissioner's Office review of Cambridgeshire County Council in early 2016/17 and subsequently conducted a follow-up review to provide assurance that actions agreed with the ICO were being implemented. As a result of this work, the team are also conducting a series of risk workshops with the Business Intelligence service, to develop a comprehensive new information risk register.
- 4.7.3 The Internal Audit Plan for 2017/18 includes an allowance of time for continued work on the ERP project, as well as providing assurance over the



migration of data over to the new system. Additionally there will be a continued focus on information security as a key risk area for the Council.

#### *4.8 Grants and Other Head of Audit Assurances*

4.8.1 In 2016/17, 8 grants received by Cambridgeshire County Council required review and certification by Internal Audit to verify that funds have been spent in accordance with grant conditions. A review was also conducted of the use of the Public Health Grant, to provide the Director of Public Health with assurance for her sign-off of the grant.

4.8.2 The Troubled Families Grant has been a particular area of focus for the Internal Audit team in 2016/17. Audit conduct review and certification of claims made by the Council under this grant from the Department for Communities & Local Government, and there were significant changes to the process in-year which meant that a higher level of audit review was required. By the end of the first six-month claim window, the Council had made just 23 claims and Audit engaged with the Service Director over concerns that the Council may be at risk of falling significantly behind its targets for identifying and processing families eligible for this grant. It was agreed for Internal Audit to conduct a review of the processes by which families are identified and claimed, including benchmarking current practice at Cambridgeshire against processes in place at other Councils.

4.8.3 The review and report was completed in early January and a number of suggestions and recommendations were made. Internal Audit continued to work closely with the service to review the grant and monitor the progress being made with the claim, and a total of 405 claims were made by the end of the 2016/17 year.

#### *4.9 Policies and Procedures*

4.9.1 In 2016/17, Internal Audit has maintained a focus on review of financial and anti-fraud policies and procedures, to ensure that these are: up to date; fit for purpose; effectively communicated; routinely complied with across the organisation; monitored and routinely improved. Work has included reviews of the Council's Anti-Fraud and Corruption Policy, the Anti-Money Laundering Policy, and the Whistleblowing Policy, all of which have been reviewed and improved ready for relaunching in early 2017/18.

4.9.2 In addition to work which focuses specifically on individual Council policies and procedures, every risk-based audit review undertaken considers the current policies and procedures in the service area under review, and audit recommendations include suggested revisions or updates to policies as appropriate.



#### 4.10 *Schools Audits*

- 4.10.1 In 2016/17, the audit team conducted a thematic review of schools financial risks at sixteen Local Authority Maintained schools, and a review of safer recruitment and payroll at fifteen schools. Detailed results of the assurance levels from these reviews are available at Appendix A.
- 4.10.2 The schools sampled for the audits were selected from schools which had been identified as being high risk, either due to low assurance from previous audits; schools which had undergone changes in leadership; schools with existing financial management concerns; or where the school was identified as high risk by the Schools Intervention Service.
- 4.10.3 For each schools report issued an action plan has been agreed with the school. The implementation of these actions will ensure that the control environment at these schools is improved to an appropriate level.
- 4.10.4 Additional actions to improve the control environment across all schools have also been implemented in-year. This has included writing to all schools to inform them of areas for improvement; Internal Audit creating a safe recruitment self-assessment toolkit to enable schools to review their own processes; and working with the Council's Education Advisors to improve their safe recruitment reviews.

#### 4.11 *Other Work*

- 4.11.1 Internal Audit continues to provide advice and guidance to officers on a wide range of issues, including the interpretation of Council policies and procedures, risks and controls within systems or processes, and ad-hoc guidance on queries relating to projects or transformation. Internal Audit aims to provide clear advice and risk-based recommendations with a view to reducing bureaucracy whilst maintaining a robust control environment. Where appropriate, we also refer queries or concerns on to specialist services such as Information Governance or IT Security.
- 4.11.2 In 2016/17, Internal Audit carried out a wide range of additional advice and guidance work, including:
- Reviews of Service Specific Finance Instructions for the Registrations Service and the 18-25 Service;
  - Reviews and feedback on the City Deal Risk Management Plan and the proposed assessment methodology for the Total Transport Pilot;
  - Review of procedures within the Safeguarding & Standards Unit around accessibility of electronic documents;

- Advice and guidance to various services on specific queries including: invoicing processes; Imprest account procedures; library donations; and crime insurance queries.

4.11.3 Internal Audit also leads on co-ordinating risk management work across the organisation. In 2016/17, the team has introduced the new GRACE risk management system to Cambridgeshire County Council, and is supporting a review of the Corporate Risk Register and risk management processes which will continue into the 2017/18 financial year.

#### 4.12 *Summary of Completed Reviews*

4.12.1 A summary of all audit reports issued in 2016/17 is attached at Appendix 1.

## 5. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

### 5.1 *Delivery of the 2016/17 Internal Audit Plan*

5.1.1 The Cambridgeshire County Council Internal Audit Plan was agreed in March 2016, at which point it was agreed that 1550 days would be delivered on areas identified for audit activity.

5.1.2 The days spent in each area of the Audit Plan, analysed by the major categories of our work, is set out in Table 5, below:

**Table 5 – Internal Audit Resource Input**

Audit Area	Days
Key Financial Systems	135
Compliance	99
Risk-Based Reviews	229
Transformation Programme	104
Making Every Penny Count	87
Procurement & Contracts	137
Anti-Fraud and Corruption	175
ICT and Information Governance	50
Grants and other Head of Audit Assurances	99
Policies and Procedures	43
Schools	125
Risk Management	75
Follow-Up of Actions and Advice & Guidance	92
Governance and Other Chargeable Activity	99
<b>TOTAL AUDIT DAYS DELIVERED</b>	<b>1550</b>

### 5.2 *Customer Feedback*

5.2.1 When final reports are issued, Internal Audit issue Customer Feedback Questionnaires to all officers who receive the final report, and request feedback. Officers have the opportunity to score the Internal Audit team against a range of criteria on a scale of 1 – 4, with 1 being “Very Disappointed” and 4 being “Very Satisfied”. Officers also have the option of providing more detailed feedback. The team’s target is for each returned questionnaire to average a score of 3 or higher.

5.2.2 The results of the feedback received in 2016-17 is summarised in Table 6 below, with the figures for 2015-16 for comparison. The average score for all feedback received in 2016-17 was 3.56, a positive result and comparable to

2015-16. Of the 17 feedback forms received, 9 (53%) gave the highest possible rating of 'Very Satisfied'.

**Table 6: Customer Feedback Received**

	2016-17		2015-16	
	No. responses	Avg. score	No. responses	Avg. score
<b>Non-Schools Audit</b>	12	3.63	13	3.6
<b>Schools Audit</b>	5	3.4	5	3.73
<b>Overall</b>	<b>17</b>	<b>3.56</b>	<b>18</b>	<b>3.67</b>

### 5.3 *Service Development*

5.3.1 Continuing Professional Development has been a major focus of the quality assurance programme in 2016/17, to ensure that staff have the skills to carry out their responsibilities with proficiency and deliver work of the required quality. Team meetings are used to deliver training and workshops to staff, and a system of post-audit assessments against the CIPFA Excellent Internal Auditor standard is used to identify areas for development on an ongoing basis, in tandem with regular supervision of all staff.

5.3.2 A new Internal Audit Strategy and Charter have been developed in-year, to ensure that the service remains effective and focused in providing a modern, independent and objective assurance function to Councillors and management. Draft documents were presented to the Audit & Accounts Committee for comment in March 2017.

### 5.4 *Compliance with Public Sector Internal Audit Standards*

5.4.1 The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards throughout the year.

5.4.2 An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) was undertaken in 2016/17, and a number of recommendations were agreed to further improve the work of the service, including the introduction of a new Terms of Reference format, and the inclusion of some specific areas within the Annual Report. A follow up visit is scheduled for May 2017, to confirm the implementation of these actions and to confirm compliance with the latest set of standards issued in April 2017.

## APPENDIX A

### CCC INTERNAL AUDIT

#### Summary of Completed Reviews 2016/17:

The table below summarises the Internal Audit reviews that were completed during the 2016/17 financial year, excluding counter fraud investigations which are itemised separately in section 4.6; and schools audits which are itemised separately below.

Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
<b>TRANSFORMATION PROGRAMME</b>				
Following the Money Strategy	Cross-Cutting	Consultancy report benchmarking financial data to identify future areas for transformation.		
Transformation Programme	Cross-Cutting	Embedded work provided to the Transformation Programme.		
Corporate Capacity Review	Cross-Cutting	Embedded work provided to the Corporate Capacity Review.		
Procurement, Contracts & Purchasing (V4)	Cross-Cutting	Embedded work to support the review of procurement, contracts and purchasing.		
QA Task & Resource Mapping	Cross-Cutting	Consultancy report on the quality assurance function in the Corporate Capacity Review.		
Corporate Policy Statements	Cross-Cutting	Consultancy report on the development of Council-wide corporate policy statements, including drafting a cash handling policy.		
Partnerships Framework	Cross-Cutting	Advice and support to the development of a new Partnerships Framework.		
Transformation Programme - Benefits Realisation*	Cross-Cutting	Moderate	Moderate	Moderate
Business Planning Compliance*	Cross-Cutting	Moderate	Moderate	Moderate
<b>MAKING EVERY PENNY COUNT</b>				
Client Contributions	CFA	Moderate	Moderate	Minor
Traded Services - Cost Recovery	Cross-Cutting	Follow-up work completed with the service re: business planning. Further work deferred to 2017/18 due to a service review.		
VAT - Compliance	Cross-Cutting	Substantial	N/A	Minor
Review of Procurement - Compliance	Cross-Cutting	Good	N/A	Minor
Overtime - Compliance	Cross-Cutting	Good	N/A	Minor
Travel & Subsistence - Compliance	Cross-Cutting	Good	Moderate	Minor
<b>KEY FINANCIAL SYSTEMS</b>				
Accounts Receivable	Cross-Cutting	Substantial	Substantial	Minor
Purchase to Pay	Cross-Cutting	Substantial	Substantial	Minor
Payroll	Cross-Cutting	Substantial	Substantial	Minor
General Ledger	Cross-Cutting	Substantial	Good	Minor

Bank Reconciliation	Cross-Cutting	Substantial	Substantial	Minor
Treasury Management*	Cross-Cutting	Substantial	Substantial	Minor
Financial Systems IT General Controls	Cross-Cutting	Substantial	Good	Minor
Risk Management	Cross-Cutting	Support and input to review of risk management policy and procedures, in conjunction with Business Intelligence service.		
Procurement Governance*	Cross-Cutting	Good	Good	Minor
Debt Recovery	Cross-Cutting	Moderate	Moderate	Moderate
Pensions	Cross-Cutting	Substantial	Substantial	Minor
GRANT VERIFICATION				
Local Transport Capital Block Funding	ETE	Grant certification provided		
Local Sustainable Transport Fund	ETE	Grant certification provided		
Cycle City Phase II	ETE	Grant certification provided		
Public Health Grant	PH	Review of grant completed and advice provided to the Director of Public Health		
Troubled Families Grant	CFA	Grant certification provided Consultancy review completed and actions agreed with management		
Disabled Facilities Grant	CFA	Grant certification provided		
Bus Services Operators Grant	ETE	Grant certification provided		
Arts Grant	ETE	Grant certification provided		
Local Growth Fund Grant	ETE	Grant certification provided		
COMMISSIONING & CONTRACTS				
Schools Capital Programme*	CFA	Moderate	Good	Minor
Highways Contract Transformation	ETE	Ongoing support to the Highways Transformation programme.		
Waste PFI Contract	ETE	Advice and guidance re: the Waste PFI contract.		
Off-Contract Spend	Cross-Cutting	Good	N/A	Minor
Contract Management*	Cross-Cutting	Moderate	Good	Moderate
RISK-BASED AUDITS				
Section 106	ETE	Good	Moderate	Minor
Total Transport Pilot	ETE	Good	Good	Minor
Replacement of AIS System	CFA	Good	Moderate	Minor
Commitment Records in CFA	CFA	Good	Good	Minor
Quality Assurance	CFA	Good	Good	Minor
Appointeeships	CFA	Moderate	Limited	Moderate
Blue Badges	CST	Briefing note provided		
Capital Programme Projects	Cross-Cutting	Review requested late in the year – to be completed in 2017 / 18		
Use of Consultants	Cross-Cutting	Review requested late in the year – to be completed in 2017 / 18		
Residential Care Homes Project	CFA	Good	Good	Minor

Property Portfolio Development Project	Cross-Cutting	Ongoing embedded assurance support to Project Board		
POLICIES & PROCEDURES				
Financial Regulations	Cross-Cutting	N/A	Good	Minor
Contract Procedure Rules*	Cross-Cutting	Good	Good	Minor
Business Continuity Policy	Cross-Cutting	N/A	Good	Minor
Scheme of Delegation	Cross-Cutting	Moderate	Moderate	Minor
Information Governance Policies	Cross-Cutting	N/A	Good	Minor
Code of Conduct and Behaviour Policies	Cross-Cutting	N/A	Good	Minor
Risk Management Policy	Cross-Cutting	Support and input to review of risk management policy and procedures, in conjunction with Business Intelligence service.		
Enforcement Policy	Cross-Cutting	N/A	Good	Minor
COMPLIANCE				
Direct Payments - Compliance	CFA	Moderate	N/A	Minor
Duplicate Payments - Compliance Follow-Up	Cross-Cutting	Good	Good	Minor
Fees and Charges	Cross-Cutting	Ongoing support to in-year implementation of Council-wide Fees and Charges policy		
Grants to Voluntary Organisations - Compliance	Cross-Cutting	Substantial	N/A	Minor
Agency Staff - Compliance	Cross-Cutting	Moderate	Moderate	Moderate
Unannounced Visits – Hawthorns & Victoria Rd Residential Units	CFA	Limited	Limited	Minor
	CFA	Moderate	Moderate	Minor
Key Performance Indicators – Compliance	Cross-Cutting	Substantial	Substantial	Minor
Scheme of Delegation - Compliance	Cross-Cutting	Moderate	Moderate	Minor
Use of GPC - Compliance	Cross-Cutting	Limited	N/A	Minor
Contract Extensions - Compliance	Cross-Cutting	Good	Good	Minor
EU Procurement Regulations - Compliance	Cross-Cutting	Moderate	N/A	Minor
ICT AND INFORMATION GOVERNANCE				
Information Security	CST	Moderate	Moderate	Minor
Records Management - ICO	CST	Moderate	Good	Minor
Agresso ERP	Cross-Cutting	Ongoing audit engagement with the project		
General Computer Controls*	Cross-Cutting	Good	Good	Minor
ANTI-FRAUD AND CORRUPTION				
National Fraud Initiative	Cross-Cutting	Co-ordination of data collection for statutory National Fraud Initiative		
Operational Guidance Working Party	CFA	Support to development of financial policy in Children, Families & Adults		

\* These audit reports were still at draft stage at the time of writing this report but the emerging opinions are included.



### Schools Audits 2016-17

N.B. Schools were selected for audit review from a sample of those schools assessed to be more high-risk, on the basis of previous low audit opinions; leadership turnover; financial problems; or other issues identified in conjunction with the Schools Intervention Service.

School	Audit	Opinion
Somersham	Schools Financial Risks	Moderate assurance
St Helen's School	Schools Financial Risks	Good assurance
Stukeley Meadows School	Schools Financial Risks	Limited assurance
St Johns School	Schools Financial Risks	No assurance
St Phillips School	Schools Financial Risks	Limited assurance
Haslingfield School	Schools Financial Risks	Limited assurance
Downham Feoffees School	Schools Financial Risks	Moderate assurance
Foxton School	Schools Financial Risks	Good assurance
Granta School	Schools Financial Risks	Moderate assurance
Kings Hedges School	Schools Financial Risks	Moderate assurance
Linton Infants School	Schools Financial Risks	Moderate assurance
Morley Memorial School	Schools Financial Risks	Moderate assurance
Thorndown School	Schools Financial Risks	Good assurance
Wheatfields School	Schools Financial Risks	Good assurance
Histon Early Years	Safe Recruitment	Limited assurance
Harbour School	Schools Financial Risks	Limited assurance
Ely St Johns School	Schools Financial Risks	Good assurance
Hartford Junior	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Limited assurance Recruitment & Payroll – Limited assurance
Sawtry Junior	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Limited assurance Recruitment & Payroll – Moderate assurance
Earith Primary	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Moderate assurance Recruitment & Payroll – Moderate assurance
Thomas Eaton	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Moderate assurance Recruitment & Payroll – Moderate assurance
Kinderley Primary	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Limited assurance Recruitment & Payroll – Limited assurance
Girton Glebe	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Moderate assurance Recruitment & Payroll – Good assurance
Great Gidding	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Limited assurance Recruitment & Payroll – Moderate assurance
Milton Road	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Limited assurance Recruitment & Payroll – Limited assurance
Weatheralls	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Moderate assurance Recruitment & Payroll – Good assurance
Waterbeach	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Moderate assurance Recruitment & Payroll – Good assurance
Wisbeach St Mary	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – No assurance Recruitment & Payroll – Limited assurance



Icknield	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Limited assurance Recruitment & Payroll – Good assurance
Guyhim	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Limited assurance Recruitment & Payroll – Moderate assurance
Guilden Morden	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Limited assurance Recruitment & Payroll – Moderate assurance