

INTERNAL AUDIT PROGRESS REPORT TO 31st OCTOBER 2014

To: **Audit and Accounts Committee**

Date: **25th November 2014**

From: **Head of Internal Audit and Risk Management**

Electoral Division(s): **All**

Forward Plan Ref: **N/A**

Key decision: **No**

Purpose: **To report on the main areas of audit coverage for the period 1st September to 31st October 2014 and the key control issues arising.**

Key Issues: **N/A**

Recommendation: **The Audit and Accounts Committee notes the progress being made against the approved Internal Audit Plan, approves the in-year changes to the Audit Plan and notes the material findings and themes identified by Internal Audit reviews completed in the period.**

<i>Officer contact:</i>	
Name:	Jonathan Idle
Post:	LGSS Head of Internal Audit and Risk Management
Email:	Jonathan.Idle@cambridgeshire.gov.uk
Tel:	01223 715317

1. BACKGROUND

- 1.1 The role of the Internal Audit Team is to provide Members and managers with independent assurance on the effectiveness of the controls that are in place to ensure that the Council's objectives are achieved. The work of the Team is directed to those areas and risks which will most impact upon the Council's ability to achieve these objectives.
- 1.2 Upon completion of an audit, an assurance opinion is given on the soundness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.
- 1.3 This Progress Report provides members of the Audit and Accounts Committee with a summary of the core Internal Audit work undertaken since the meeting in September 2014. It summarises the assurance opinions for the audits reported during the period 1st September and 31st October 2014. The final reports for these audit reviews are available to members of the Committee on the Sharepoint page. Internal Audit issues e-mails to all members of the Committee to advise availability of final reports.
- 1.4 The report also provides the assurance summaries from each report in order to show how the overall assurance level has been determined. Where control weaknesses have been identified, actions will have been agreed with auditee management to address the control weakness. Explanations of the 5 levels of assurance are given in Appendix 1. Members will be aware that officers can be asked to attend the Committee where the overall assurance opinion given is of limited or no assurance.

2. PROGRESS AGAINST THE 2014-15 AUDIT PLAN

- 2.1 Progress against the plan is set out in Appendix 2, which records the status of each planned review.
- 2.2 In lieu of changed circumstances appertaining to some planned audits and reviews of planned coverage with senior management, the following amendments to the Plan are proposed:

Table 1: Proposed Changes to the Audit Plan

Directorate / Description	Assignment	Addition	Deletion	Amendment
Public Health	Public Health Grant	√		

3. COMPLETED REVIEWS

- 3.1 Since the previous Progress Report to the Audit and Accounts Committee in September 2014, the following audit assignments have reached completion:

Table 2: Finalised Assignments

No.	Directorate / Description	Assignment	Assurance Opinion
1	Children, Families and Adults	Early Help Project (Embedded Assurance)	Moderate
2	Children, Families and Adults	Delayed Discharges	Moderate
3	Children, Families and Adults	Safer Recruitment Follow Up (Individual School)	Moderate
4	Grant Certification	Seniors Network Support	Certification Provided
5	Grant Certification	Flood Damaged Roads Funding	Certification Provided
6	Grant Certification	Local Transport Capital Block Funding	Certification Provided
7	Grant Certification	Troubled Families	Certification Provided
8	Governance	Ethics	Substantial
9	LGSS - Finance	Budgetary Control	Substantial

3.2 Summaries of the finalised reports issued are provided in Appendix 3.

3.3 Audit assignments, which are either at planning stage, work in progress or at draft report stage are summarised in Table 3.

Table 3: Work In Progress

Directorate / Assignment	Initial Planning	Work in Progress	Draft Report
Customer Service & Transformation			
Business Continuity		√	
Children, Families & Adults			
Traded Services		√	
Personal Budgets for Children		√	
Adoption Services Partnership		√	
Better Care Fund	√	√	
Schools			
Purchasing and Payments Thematic	√		
Financial Governance within Schools		√(1)	√ (3)
Pupil Premium	√		
Economy, Transport and Environment			
Section 106		√	
City Deal		√	
Public Health			
Information Governance in Public Health		√	
Public Health Grant			√
Council Wide			
Delivery of 2014/15 Business Plan Savings			√
Programme and Project Management		√	
Grant Certification			
Local Sustainable Transport Fund		√	
Governance			
Ethics			√
LGSS Finance			
Capital Programme		√	
LGSS People, Performance & Transactions			
Procure to Pay			√

4 FRAUD AND CORRUPTION UPDATE

Police Referral Outcomes

- 4.1 Feedback was received from the Police in that they intended to take 'No action' on the case referred to them by Internal Audit in respect of an external provider's care manager who was accused of taking approximately £3,000 of service users' money.
- 4.2 The reason provided by the police for their decision was that they felt there was insufficient information; undermining evidence; accounting inconsistencies & other people had access to the money. Internal Audit, who have had prior experience of a similar case that led to a successful Police prosecution, do not recognise these weaknesses in the evidence presented to the Police and have sought clarification from them through the Multi Agency Referral Unit (MARU) route.
- 4.3 In a separate case, the Crown Prosecution Service (CPS) have charged an employee with 4 counts of fraud by false representation, 1 charge of fraud by abuse of position and 1 general charge of fraud by failing to disclose the conflict of interest throughout their employment with the council. The Police have also lifted their bail conditions so that the Council internal disciplinary proceedings can commence against the employee.

Current Referrals

- 4.4 The team are continuing to investigate the financial management of service users' monies at one of the Council's supported living establishments. This follows concerns brought to management's attention through the whistle blowing policy. The review is on-going and further details will be provided on its conclusion.

Proactive Work

- 4.5 The team attended a County Library Managers team meeting to discuss the risks associated with cash security, till procedures and safe access controls. Following the meeting, a briefing note identifying the key risks discussed and potential solutions was issued for the managers' consideration.

5 IMPLEMENTATION OF MANAGEMENT ACTIONS

5.1 The outstanding management actions as at October 2014 are summarised in Table 4:

Table 4: Outstanding Management Actions

	Category 'Fundamental' recommendations		Category 'Significant' recommendations		Total	
	Number	%age of total	Number	%age of total	Number	%age of total
Implemented	27	100% (96%)	49	80% (70%)	76	86% (78%)
Actions due within last 3 months, but not implemented	0	0% (0%)	5	8% (1%)	5	6% (6%)
Actions due over 3 months ago, but not implemented	0	0% (4%)	7	12% (21%)	7	8% (16%)
Totals	27		61		88	

5.2 Table 4 includes a comparison with the percentage implementation reported at the previous Committee (bracketed figures). This highlights a continued improved position with the overall implementation rate moving from 78% to 86%.

DEFINITIONS OF LEVELS OF AUDIT ASSURANCE

Level	Definitions
Full Assurance	There is a sound system of control designed to address the relevant risks with controls being consistently applied.
Substantial Assurance	There is a sound system of control, designed to address the relevant risks, but there is evidence of non-compliance with some of the controls.
Moderate Assurance	Whilst there is a basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system, that leaves some risks not addressed and there is evidence of non-compliance with some of the controls.
Limited Assurance	The system of control is weak and there is evidence of non-compliance with the controls that do exist which may result in the relevant risks not being managed.
No Assurance	There is no system of internal control. Risks are not being managed.