

INTERNAL AUDIT PROGRESS REPORT TO 30th JUNE 2015

To: Audit and Accounts Committee

Date: 14th July 2015

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 April to 30th June 2015 and the key control issues arising.

Key Issues: N/A

Recommendation: The Audit and Accounts Committee is asked:

a) to note and comment on the progress being made against the approved Internal Audit Plan as detailed in Appendix 2,

b) Comment on and approve the in-year changes to the Audit Plan as set out in Appendix 2;

c) to note the material findings and themes identified by Internal Audit reviews completed in the period as shown in Appendix 3 (summary on moderate and lower assurances)

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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 March 2015. It summarises the assurance opinions for the audits reported during the period 1st April and 30th June 2015. The final reports for these audit reviews are available to members of the Committee on the Sharepoint page.
- 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. UPDATED 2015-16 AUDIT PLAN

- 2.1 The updated plan is set out in Appendix 2, which records the status of each planned review.

3. COMPLETED REVIEWS

- 3.1 Since the previous Progress Report to the Audit and Accounts Committee in March 2015, the following audit assignments have reached completion as set out below in table 2:

Table 2: Finalised Assignments

No.	Directorate / Description	Assignment	Assurance Opinion
1	Public Health	Health Checks	Moderate
2	Children, Families and Adults	Older Peoples Service Financial Management	Consultancy Review
3	Children, Families and Adults	CCC Governance of Pupil Premium and Pupil Premium Plus 2014-15	Substantial
4	Children, Families and Adults	Safe Recruitment (2 individual schools)	One Substantial, one Moderate
5	Children, Families and Adults	Purchasing and Payments (1 individual school)	Moderate
6	Economy, Transport and Environment	Use of S106 Receipts and the Community Infrastructure Levy	Moderate

- 3.2 Summaries of the finalised reports with moderate or less assurance are provided in Appendix 3 with the exception of the individual school reports, for which consolidated summaries will be provided when the remaining audits for these categories are completed.
- 3.3 The Committee can take assurance that all the reviews completed in the first quarter have not caused any concern.

4 FRAUD AND CORRUPTION UPDATE

Police Referral Outcomes

- 4.1 A case is currently being progressed by the Crown Prosecution Service (CPS) and Internal Audit continues to support the case in the provision of information to the Police and CPS. Formal interviews with staff involved in the case have now taken place.

Referrals

- 4.2 Internal Audit is supporting a Working Party aimed at reducing the risk of fraud in the Council's Supported Living services, following an investigation last year into the financial management of service users' monies at one of the Council's supported living establishments. The Working Party has now drawn up an Action Plan for implementing the remaining outstanding actions from the investigation report.
- 4.3 The team has now completed its work on a Safeguarding investigation into concerns that a service user may not be receiving the income they are entitled to from their father's private pension. The team's Accredited Financial Investigator obtained the relevant bank statements by Court Order and a full review has been conducted; the results of this will shortly be fed back to the Safeguarding of Vulnerable Adults (SOVA) lead and next steps agreed.
- 4.4 The Counter Fraud team provided support to the Libraries service following allegations of a suspected theft, and will be reviewing and advising on procedures at the library.
- 4.5 Following two referrals from Social Care teams, one investigation relating to suspected fraud or misuse of Direct Payments has been completed and the findings reported back to the service, while another investigation is currently ongoing. At the same time, Internal Audit is conducting an audit review of Direct Payments, which will take into account the findings of the two investigations.

5 IMPLEMENTATION OF MANAGEMENT ACTIONS

5.1 The outstanding management actions as at May 2015 are summarised in Table 3:

Table 3 includes a comparison with the percentage implementation reported at the previous Committee (bracketed figures).

Table 3: Outstanding Management Actions

	Category 'Fundamental' recommendations		Category 'Significant' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
Implemented	27	100% (100%)	38	62% (80%)	65	74% (86%)
Actions due within last 3 months, but not implemented	0	0% (0%)	16	26% (8%)	16	18% (6%)
Actions due over 3 months ago, but not implemented	0	0% (0%)	7	11% (11%)	7	8% (8%)
Totals	27		61		88	

5.2 There are currently no outstanding fundamental recommendations. 23 significant recommendations have not been implemented. These recommendations are being reviewed by Internal Audit to determine if they are still relevant and merit their significant categorisation. Directors will be consulted as to their status and any revisions to implementation dates.

Background papers ; None

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.

Appendix 2

Internal Audit Plan 2015-16 - Progress Update

Directorate	Description	Quarter	Status	Date to AAC
Customer Service and Transformation	Civil Contingencies Act / Emergency Planning	2		
Children, Families and Adults	Domiciliary Care	2	Work in Progress	
	Care Homes	3		
	Adult Safeguarding	3/4		
	Adults Contracts - Systems and Processes	3/4		
	Care Act	2	Work in Progress	
	Replacement of Operational Systems	3/4		
	Reablement Transfer	3/4		
	Ombudsman Reports	3/4		
Schools	Schools Financial Value Standard (SFVS)	2/3/4		
	Safe Recruiting	2/3/4		
	Schools Thematics	2/3/4		
	Schools Causing Financial Concern	2/3/4		
	Dissemination of Audit Findings	2/3/4		
Economy, Transport and Environment	Waste PFI	2		
	Highway Services Contract	2		
	Fees and Charges	2		
	City Deal	3		
	Home to School Transport (Joint Review with CFA)	2		
	Cambridge Future Transport	3		
Public Health	Public Health Grant	2	Work in Progress	
	Healthy Child Programme 0-5 (Joint Review with CFA)	2		

Directorate	Description	Quarter	Status	Date to AAC
	Pilot Work with Peterborough City Council	2/3		
Council-Wide	Appraisals	2		
	Complaints Management	3/4		
	Equality and Diversity Arrangements	3/4		
	Business Planning	3/4		
	2020 Project	3/4		
	Benefits Realisation	3/4		
Grant Certification	Troubled Families Grant	3/4		
	Additional Highways Maintenance Funding	2/3/4		
	Local Transport Capital Block Funding	2	Work in Progress	
Governance	Annual Governance Statement/Code of Corporate Governance	1	Complete	Jun-15
	Assurance Framework	1	Complete	Jun-15
LGSS - Finance	Budget Monitoring and Control (Revenue)	3		
	Capital Programme	3		
	Treasury Management	3		
LGSS - People, Performance & Transactions	Next Generation ERP	3/4		
	Accounts Receivable	3/4		
	Purchase to Pay	3/4		

Directorate	Description	Quarter	Status	Date to AAC
	Payroll	3/4		
	General Ledger	3/4		
	Bank Reconciliation	3/4		
	IT General Controls	3/4		
I. T. Audit	IT Project Management	TBD		
	Change Management Procedures and Controls	TBD		
	Service Administration and Security	TBD		
	Database Administration and Security	TBD		
	Network Administration and Security	TBD		
	Disaster Recovery	TBD		
	End-user Computing	TBD		
	Service Desk	TBD		
External Work				
	Cromwell Academy	2/3/4		
Contingency	Vulnerable Clients Monies Management	1/2	Draft	
	Section 106 & CIL	1	Complete	Jul-15
	Health and Safety	1/2	Work in Progress	
	Waste PFI	1/2	Draft	
	Better Bus Area Fund Grant	1/2	Complete	Jul-15
	Pupil Premuim Consolidated Report	1/2	Work in Progress	
	Better Care Fund	1/2	Draft	
	Traded Services	1/2	Draft	
	Care Income	1/2	Work in Progress	
	Direct Payments	1/2	Work in Progress	
	Consolidated Schools Safe Recruitment Report	1/2	Work in Progress	
	Consolidated Purchasing & Payments Report	1/2	Work in Progress	
	LGSS Law LTD	1/2	Work in Progress	
	Early Help Project	1/2	Work in Progress	
	Older Peoples Service Financial Management	1	Complete	Jul-15

Directorate	Description	Quarter	Status	Date to AAC
	CCC Governance of Pupil Premium and Pupil Premium Plus 2014-15	1	Complete	Jul-15
	Public Health Checks	1	Complete	Jul-15
	Superfast Broadband	1/2	Work in Progress	
Counter Fraud	Special Investigations	Ongoing		
	Preventative / Proactive Anti-Fraud Control Work	Ongoing		
	NFI	Ongoing	Work in Progress	
Advice & Guidance	Follow Ups		Work in Progress	
	Other Chargeable Work			
Strategic Risk Management	Corporate Risk Register Maintenance and Update /Attendance and Reports to Corporate Risk Group		Reports to AAC	Jun 15, Sep 15, Jan 16, Mar 16

Appendix 3

SUMMARIES OF COMPLETED AUDITS WITH MODERATE OR LESS ASSURANCE

A. PUBLIC HEALTH

A1 Health Checks

Based on the completion of our fieldwork, Internal Audit provides **Moderate** assurance over the controls in place in relation to the management, monitoring and reporting of Health Checks in the Council's Public Health services.

It is acknowledged that Public Health is intending to implement measures to enhance the existing examples of good practice that were verified, in particular the monitoring and verification of prime data at GP Surgeries which is currently a weakness. Had the intended measures all been in place during this review, a higher level of assurance would have resulted.

B CHILDREN, FAMILIES AND ADULTS

B1 Safe Recruitment in Schools

Current Status on reviews conducted at 15 schools

Two reports have been issued as final reports to the schools and to CFA, one substantial and one moderate assurance. The school allocated moderate assurance is based on the following key findings;

- The audit identified an example where a member of the support staff had been allowed to commence duties at the school without DBS clearance (with barred list check) or a formal risk assessment, combined with a separate barred list check.
- In addition, there was an example where references for the appointment of a Midday Supervisor were received after the employee's start date, interview notes were very brief and did not cover safeguarding or a gap in employment history. A Person Specification was not available and the Job Description did not contain safeguarding responsibilities.

B2 PURCHASING & PAYMENTS IN SCHOOLS

Current Status on reviews conducted at 10 schools

One report has been issued as a final report to the school and to CFA, the assurance level is moderate based on the following key findings:

- The school has documented internal financial procedures, although they have not been updated or reviewed by Governors for, at least, three years.

- Sample testing identified that signed purchase orders are rarely raised on the school's accounting system (FMS6) to support all spending decisions.
- There is no specific check of the sequential issue of cheques by cheque signatories and the bank reconciliation is not signed off by the Head Teacher.
- There is no independent review of the expenditure incurred on the Head Teacher's procurement card.

C ECONOMY, TRANSPORT AND ENVIRONMENT

C1 USE OF S106 RECEIPTS & THE COMMUNITY INFRASTRUCTURE LEVY

Under Section 106 of the Town and Country Planning Act 1990, the Council is able to partly offset the cost of providing and maintaining the County's infrastructure by negotiating contributions from developers, in conjunction with the City and District Councils. The agreed obligations and associated financial contributions of developers are then set out in Section 106 Agreements. The Planning Act 2008 made provision for a new charge, known as the 'Community Infrastructure Levy' (CIL) to be levied on developers. Rather than negotiating contributions on a site-by-site basis, under this regime a tariff set by each Local Planning Authority is used to calculate charges based on the size of the development.

Cambridgeshire County Council's Corporate Risk Register recognises that this change in the funding system creates a risk to infrastructure funding due to potential conflicting development priorities.

Based on the completion of our fieldwork, we can provide an overall opinion on the level of assurance provided by the controls of **moderate assurance**. This indicates that whilst there is a basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system which leave some risks not addressed, and there is evidence of non-compliance with some of the controls.

Moderate assurance was provided as we identified a key unaddressed risk that funds for specific projects may go unspent – due to a lack of a centralised process for identifying and monitoring s106 funds, and a lack of discussion with Finance about how Community Infrastructure Levy could be recorded and tracked on Cambridgeshire's financial systems - that risks the Council not using available resources at its disposal in the most effective way.

In these two areas limited assurance was awarded. Management have agreed to implement all audit recommendations in these areas, and once this implementation work is completed, this will represent substantial assurance.