

TITLE INTERNAL AUDIT PROGRESS REPORT

To: **Accounts and Audit Committee**

Date: **14th November 2019**

From: **Duncan Wilkinson, LGSS Chief Internal Auditor**

Electoral Division(s) **All**

1. PURPOSE

1.1 To report on the main areas of audit coverage for the period to 31st October 2019 and the key control issues arising since the last update provided to the Audit & Accounts Committee on 24th September.

2. RECOMMENDATION

2.1 The Committee is invited to note the report.

3. BACKGROUND

3.1 The role of Internal Audit is to provide the Audit Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.

3.2 The work being undertaken by the Council's Internal Audit service concerning Manor Farm and the Farms Estate is still in progress. This is a complex, and interlinked piece of work, and it has always been essential to us to get it right, rather than get the report to any specific meeting. When ready the audit will be reported to the next available committee and discussed in public.'

3.3 Cambridgeshire County Council (CCC) Joint Management Team considered this report on 14th Nov prior to its submission to the Audit & Accounts Committee on 28th November. The report has been finalised in consideration of election purdah requirements in conjunction with the Chairs briefing meeting on Tuesday 12th Nov.

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LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 31st October 2019

Section 1

1. FINALISED ASSIGNMENTS

1.1 Since the previous Progress Report in September 2019, the following audit assignments have reached completion, as set out below in Table 1.

Table 1: Finalised Assignments

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Place & Economy	Cost Recovery in Place & Economy	Satisfactory	Satisfactory	Minor
2.	People & Communities	Disabled Facilities Grant	Grant certification provided		
3.	Place & Economy	Highways Contract Open Book Review – Stage 1	Reconciliation completed and reported		

1.2 Summaries of the finalised reports with satisfactory or less assurance are provided in Section 4.

1.3 The following audit assignments have reached draft report stage, as set out below in table 2:

Table 2: Draft Reports

No.	Directorate	Assignment
1.	Resources	Rental Income
2.	Place & Economy	Highways Contract Governance Processes
3.	Corporate & Customer Services	Business Continuity
4.	Corporate & Customer Services	General Data Protection Regulations

- 1.4 Further information on work planned and in progress may be found in the Audit Plan, attached as Annex A.

Section 2

2. FRAUD AND CORRUPTION UPDATE

2.1 CURRENT INTERNAL AUDIT INVESTIGATIONS:

A summary of the current investigative caseload of the Internal Audit team is provided below at Table 3. This includes investigations relating to suspected theft, fraud or misuse of funds, which are led by Internal Audit.

Table 3: Internal Audit Investigations Caseload

Case Category	Description of activity or risk example	No.	Outcomes
Investigations	FACT Investigation	1	Ongoing support to post-report process.
	Whistleblowing concerns	7	Closed, either no concerns or advice provided.
		2	Investigation in progress.
	Allegations regarding misuse of a Direct Payment	1	Investigation in progress.
	Manor Farm Tenancy Review	1	Draft report stage.
	Cash thefts	3	Referred to police.
Suspected bank mandate fraud at a school	2	Advice provided.	
Totals		17	

Section 3

3 IMPLEMENTATION OF MANAGEMENT ACTIONS

- 3.1 The outstanding management actions as at the end of September 2019 are summarised in Table 4 below, which includes a comparison with the percentage implementation from the previous report (bracketed figures).
- 3.2 There are currently 20 management actions outstanding.

Table 4: Outstanding Management Actions (Year To Date)

	Category 'Essential' recommendations		Category 'Important' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
Implemented	1	2% (2%)	45	73% (67%)	46	74% (69%)
Actions due within last 3 months, but not implemented	0	0% (0%)	12	19% (23%)	12	19% (23%)
Actions due over 3 months ago, but not implemented	0	0% (0%)	4	6% (8%)	4	6% (8%)
Totals	1		61		62	

4. SUMMARIES OF COMPLETED AUDITS WITH SATISFACTORY OR LESS ASSURANCE

4.1 PLACE AND ECONOMY DIRECTORATE

Cost Recovery in Place & Economy

At the request of the Executive Director of Place & Economy, an audit was undertaken of cost recovery processes in the Infrastructure and Growth Service Group, a key part of the Place and Economy (P&E) Directorate. It includes a number of services that deliver essential project development and delivery of construction work across the County, including projects and work undertaken on behalf of external organisations. The objective was to provide assurance that there are processes in place to fully recover the Council's costs, and that those processes are complied with.

Internal Audit gave satisfactory assurance over the controls in place to assure cost recovery, and satisfactory assurance over compliance with those controls. The primary most significant finding was that there is not a consistent approach to time recording across Infrastructure and Growth. Timesheets are recorded via excel spreadsheets and costs are calculated and collated through a series of different spreadsheets, rather than through a formal time recording and calculation software. The lack of a single consistent recording system increases the risk of error in charges issued, and Internal Audit sample testing identified two instances where costs had not been charged due to officers recording their time on the wrong timesheets or timesheets being missed out of invoicing calculations.

An exercise is already underway to procure time-recording software for the service, and Internal Audit has made several recommendations for key areas of functionality that should be included in the specification of this software. Other key recommendations made by Internal Audit as a result of this review were for the service to introduce monthly invoicing for cost recovery, to improve cashflow and reduce the risk of errors, and introducing monthly monitoring processes.

5. OTHER AUDIT ACTIVITY

5.1 UPDATES TO THE INTERNAL AUDIT PLAN 2019/20

In each Progress Report, Internal Audit outlines any proposed changes or updates to the annual Audit Plan in light of additional pressures and/or the evolving risk profile of the Council.

5.1.1 Pressures on the Internal Audit Plan:

The following audits represent areas of pressure on the Internal Audit Plan. To date it has been possible to manage this pressure within the Plan, and at Section 6.1.2, below Audit have proposed audit areas which can either be reduced or cut from the Audit Plan, or deferred until the 2020/21 financial year:

- **Manor Farm Tenancy Investigation and associated work:** The complexity of the Manor Farm Tenancy investigation has proved greater than initially expected. Additionally, as a result of findings made during the review it has been necessary to undertake an additional, separate audit of the County Farms service as a whole.
- **Rental Income:** Findings made during the course of this audit have resulted in a requirement to undertake additional work, and the audit fieldwork as a whole has been complicated and extended as a result of the current record-keeping systems within the service.
- **Contract Management Policy and Guidance:** Internal Audit has proposed to slightly extend the planned time budget for this review, in order to undertake unplanned additional value-added work which falls within the scope of the review and will provide new guidance and support to staff on the crucial area of contract management.
- **Highways Contract Open Book Review:** Internal Audit continue to undertake work on the Highways Contract. The complexity of undertaking an open-book review requires significant audit time, and this has been further complicated by the record-keeping systems in place. In addition to undertaking work on the review itself, Audit have been required to provide substantial support to the development of new systems and processes around the administration and oversight of the contract and charges.

- **LGSS Law:** Additional time has been required to complete this review due to the difficulties experienced in obtaining expected documentation (in part due to staff turnover both within CCC and LGSS) and the need to complete additional work.
- **Home & Community Support Services Framework Contract:** Additional time is required to complete the review, due to the scale and complexity of the framework contract.
- **Residential and Nursing Contract Framework:** Additional time is required due to the scope of the review being revised, in light of the initial work undertaken.
- **Provision of Section 17 Financial Assistance:** Additional time is required due to the complexity of identifying a sample of Section 17 expenditure given the constraints of extant records, and undertaking testing across multiple services.
- **Committee Reporting:** Additional time has been required for Committee reporting in 2019/20 due to the high volume of reporting requested.

5.1.2 Proposed revisions to the Audit Plan:

Internal Audit has identified that it will be possible to reduce the planned time budget for the following reviews, while still delivering a sufficient level of assurance:

- **Waste PFI:** Contractual negotiations have been ongoing longer than expected, meaning that a full audit will not be possible in 2019/20 and instead Internal Audit has been involved in providing advice and guidance to the project team, to reduce the Council's risk exposure.
- **Project Assurance of High-Risk Projects:** The number of projects to be reviewed in-year will be reduced to two, and this will be treated as a pilot of the full assurance process to be launched in 2020/21.

The following audits are proposed to be removed from the Internal Audit Plan 2019/20 and deferred until 2020/21:

- **Contract Management – Cambridgeshire Energy Performance Contracting Project:** The two contracts within the project were selected for audit review as they are high-value (combined annual value of £11m), but Internal Audit are not aware of any concerns regarding the contracts and therefore it is recommended the review is deferred.

- **Contract Management – Integrated Drug and Alcohol Treatment System:** The contract was selected for review as a high-value contract (£4.875m) awarded in May 2018, but Internal Audit are not aware of any concerns regarding the contract and therefore it is recommended the review is deferred.
- **Most Economically Advantageous Tenders:** This area was subject to audit review in 2018/19, and therefore it is recommended the review is deferred.
- **Key Performance Indicators:** This review is considered comparatively low-risk, as a full review of the Council's Performance Management processes was conducted in 2018/19. Additionally, some assurance over this key area will be provided in 2019/20 via a brief review of the Council's KPI Framework.
- **Street Lighting PFI:** The contract was selected for review as a key high-value contract for the Council, but given current pressures particularly on contract audit resource, it is recommended this is deferred.
- **Strategic Approach to Schools Charging:** Internal Audit are not aware of concerns in this area and as such it is recommended the review is deferred.

The following audits are proposed for removal from the 2019/20 Audit Plan:

- **National Productivity Fund and Cambridgeshire Challenge Fund:** These planned audits are no longer required as the Combined Authority has now confirmed that there was no new award of this funding.
- **Safeguarding the Assets of Clients in External Establishments:** As planned, Internal Audit will conduct the related review of Safeguarding Clients' Personal Assets, which will provide some assurance in this area.

CCC INTERNAL AUDIT PLAN 2019/20

Summary of Progress:

Total Completed Audits from 2019/20 Audit Plan	12
Total Audits at Draft Report Stage	5
Total “Ongoing” Work <i>(i.e. which does not have a specific end date, but will close at the end of the financial year)</i>	10
Total Open Audits	33
Total Not Yet Opened Audits	24

Full Audit Plan:

Audit	Status	Quarter Opened	Quarter Closed
VAT	NOT OPENED		
Unannounced Visits	OPEN	Q3	
Development of Project Assurance Framework	ONGOING	N/A	N/A
Project Assurance of High Risk Projects	OPEN	Q2	
Business Continuity	OPEN	Q1	
Financial Planning, Demand Management and Control	NOT OPENED		
Financial Regulations Monitoring & Compliance, including Delegated Authorities	NOT OPENED		
Capital Project Variations and Overspends	NOT OPENED		
Contract Management - Eastern Highways Alliance	OPEN	Q2	
Contract Management - Provision of Community Equipment Services	OPEN	Q3	

Contract Management - Home and Community Support Service Framework	OPEN	Q2	
Contract Management – Supported Living Services for Adults with a Learning Disability	OPEN	Q2	
Contract Management - Cambridgeshire Lifestyle Services	OPEN	Q1	
High Value Supplier Contract Management Reviews	OPEN	Q2	
Business Continuity for Key Contracts	OPEN	Q2	
Contract Management Policy and Guidance	OPEN	Q2	
Transformation Fund Benefits Realisation	OPEN	Q2	
Fees and Charges Policy & Compliance	NOT OPENED		
Annual Key Policies & Procedures Review	NOT OPENED		
Corporate Key Performance Indicator Framework	NOT OPENED		
Procurement Governance	OPEN	Q2	
Procurement Compliance	OPEN	Q2	
Procurement Waivers for Procurement Outside Contract Procedure Rules	OPEN	Q3	
Consultancy Policy Compliance	NOT OPENED		
LGSS Law Ltd	OPEN	Q1	
Regulation of Investigatory Powers Act Policy Compliance	OPEN	Q2	
Property Asset Disposals & Acquisitions Policy Compliance	OPEN	Q3	
County Farms Process & Practice	OPEN	Q1	
Fire Safety Checks	CLOSED	Q1	Q3
Residential & Nursing Contract Management	NEW	Q1	
Rental Income	OPEN	Q1	
This Land Limited	OPEN	Q1	
Annual Whistleblowing Policy Report and Awareness	NOT OPENED		
Direct Payments - Prepayment Cards	OPEN	Q2	
Troubled Families Grant	ONGOING	Q1	N/A
Schools Payroll and Safe Recruitment	OPEN	Q2	
Disabled Facilities Grant	CLOSED	Q1	Q3
Special Educational Needs Placements	OPEN	Q2	
Annual Safeguarding Assurance	OPEN	Q2	
Provision of Section 17 Financial Assistance	OPEN	Q1	
Adult Social Care Finance	NOT OPENED		
Safeguarding Clients' Personal Assets - Compliance	OPEN	Q2	
Highways Stage 1 Open Book Review (Client)	CLOSED	Q1	Q2
Highways Commercial Group	ONGOING	Q1	N/A

Highways Contract Stage 2 Open Book Review (Contractor)	OPEN	Q3	
Highways Contract Governance Processes	OPEN	Q1	
Waste PFI Renegotiation of Contract	ONGOING	Q1	N/A
Local Transport Capital Block Funding	CLOSED	Q1	Q2
Bus Service Operators	CLOSED	Q1	Q1
Pothole Action Fund	CLOSED	Q1	Q2
Cycle City Phase II	CLOSED	Q1	Q2
Safer Roads Funding	CLOSED	Q1	Q2
Chisholm Trail 19 - 20	OPEN	Q2	
Coroners Service	OPEN	Q1	
Additional Highways Maintenance Grant	CLOSED	Q1	Q1
Complaints Process	NOT OPENED		
Accounts Receivable	NOT OPENED		
Purchase to Pay	NOT OPENED		
CHAPS Payments Review	OPEN	Q1	
Payroll	NOT OPENED		
General Ledger	NOT OPENED		
Bank Reconciliation	NOT OPENED		
Treasury Management	NOT OPENED		
Annual Assurance on Risk Management	NOT OPENED		
Debt Recovery	OPEN	Q1	
Pensions	NOT OPENED		
Annual Governance Statement/Code of Corporate Governance	NOT OPENED		
General Data Protection Regulations Implementation	OPEN	Q2	
Information Technology Audit Plan	NOT OPENED		
Financial Systems IT General Controls	NOT OPENED		
Community Transport Investigation 2019 - 20	ONGOING	Q1	N/A
Code of Conduct investigation	OPEN	Q1	
Manor Farm Tenancy Review	OPEN	Q1	
Ely Bypass Review	CLOSED	Q1	Q2

Source Documents: None