

INTERNAL AUDIT PROGRESS REPORT TO 17th JUNE 2014

To: **Audit and Accounts Committee**

Date: **15th July 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 March to 17^h June 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 and notes the material findings and themes identified by Internal Audit reviews completed in the period.**

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1. BACKGROUND

- 1.1 The role of the Internal Audit Team is to give Members and managers 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 summarises the assurance opinions for the audits reported during the period 1st March and 17th June 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 summarises the key findings of completed audit reviews and 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. COMMENTARY ON AUDIT COVERAGE

2.1 CHILDREN, FAMILIES AND ADULTS SERVICES

2.1.1 Looked After Children and Corporate Parenting

All process areas considered in this review were assigned '**substantial**' or '**full**' assurance, excepting for:

The Service demonstrated examples of good practice in improving equality of opportunity for all Looked After Children and Care Leavers. The review did, however, identify a lack of information available to some care staff in respect of specific provisions for younger children. Additionally, although work had been undertaken to improve opportunities for care leavers, particularly around the completion of quality Pathway Plans and education, employment and training, due to the long-term nature of these expected developments it was not possible provide assurance that these changes had been embedded in practice.

<i>Process Area</i>	<i>No</i>	<i>Limited</i>	<i>Moderate</i>	<i>Substantial</i>	<i>Full</i>
Ofsted requirements understood and effectively communicated.					
A formal plan to address weaknesses has been agreed, and is rigorously monitored and updated.					
Information provided to decision-makers is detailed and quality assured.					
Safeguarding procedures for Looked After Children are clearly documented, reviewed and communicated to staff.					
Arrangements to ensure equity of opportunity are clearly documented and embedded in practice.					
Corporate Parent responsibilities are understood by Members and Officers and are communicated and reinforced.					
Information-sharing mechanisms enable Members and officers to fulfill their duties as Corporate Parents.					
<u>Overall</u>					

2.1.2 Safe Recruitment

The 2013/14 review showed a slight deterioration against the 2012/13 review in the level of assurances identified, although the overall assurance level remains as **'moderate'**.

It was evident that the majority of schools are aware of the correct safe recruitment procedures to follow as demonstrated by the recruitment of teaching staff, however, in many instances these procedures were not fully applied in the recruitment of non-teaching staff.

It was noted that, in a significant number of instances, schools were using recruitment documentation stored on local computers rather than downloading up to date documentation for each recruitment incident. This has resulted in inappropriate processes being followed. If all schools had utilised up to date documentation, it is likely that assurance levels would have been higher, both at individual school and overall levels.

The review identified that schools have no direct confirmation that Local Authority staff working in schools (such as Cambridgeshire Catering Service (CCS) and Cambridgeshire Music) have undergone all of the required pre-employment checks. It was also identified that there is no over-arching single central record of recruitment checks for Local Authority staff working in schools in accordance with Ofsted guidance.

Two schools which received limited and no assurance at the 2012/13 audit review were revisited during the 2013/14 review. The management actions agreed at the last audit were reviewed for implementation and a sample of three appointments compliance tested. Both schools have been provided with moderate assurance which shows improvement from the 2012/13 position.

Where controls weaknesses were identified in individual schools, actions have been agreed with the Head Teacher which will address these weaknesses. Additionally the Director of Learning will brief school governors at the autumn term governor briefings and primary school head teachers at the autumn term area breakfast meetings

<i>Process Area</i>	<i>No</i>	<i>Limited</i>	<i>Moderate</i>	<i>Substantial</i>	<i>Full</i>	<i>Level of Assurance at Last Audit</i>
Disclosure and Barring Service checks						Moderate
Single Central Record						Moderate
References						Moderate
Identity & qualification checks						Limited
Short Listing / Interviewing						Limited
Job Descriptions and Person Specifications						Limited
Application Forms						Substantial
Induction						Substantial
Recruitment & selection policy						Substantial

Overall compliance with DfE requirements						Moderate
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2.2 ECONOMY, TRANSPORT AND ENVIRONMENT

2.2.1 Investing in Highways Transport Solutions

The overall assurance rating for this review was ‘moderate.’

As illustrated in the assurance matrix below, 4 process areas received substantial assurance ratings.

The following process areas were assigned moderate assurance ratings:

- The Risk and Issues Register was not up-to-date and key risks had not been presented to the Steering Group for discussion. Additionally, the majority of actions required to mitigate risk did not have specific target dates.

- No cost information was reported to the Steering Group regarding spending of the Cambridgeshire Future Transport (CFT) budget or savings generated. The CFT budget bore the cost of existing subsidised services, which did not provide a clear accounting differentiation of old and new services.
- Whilst the CFT web-site held the results of Area consultations, the record of meetings was not up-to-date. The web-site lists Services affected but not the revised solutions that have been implemented

<i>Process Area</i>	<i>No</i>	<i>Limited</i>	<i>Moderate</i>	<i>Substantial</i>	<i>Full</i>
Governance & Decision-making					
Benefits Realisation					
Resources					
Risks & Issues					
Time Management					
Cost Management					
Communication					
<u>Overall</u>					

2.3 CUSTOMER SERVICE AND TRANSFORMATION

2.3.1 Business Planning

The overall assurance rating for this review was '**substantial**'.

Thematic Reviews was the single aspect of the review which received a 'moderate' assurance rating. Service areas have attempted to quantify savings however the Director for CST identified a holistic approach towards quantifying savings as some reviews enabled other service areas to make savings, e.g. Customer Services Delivery Review. It was agreed with the Director that a post implementation review of the 2014/15 Business Planning process will review how savings from Thematic Reviews are assessed.

<i>Process Area</i>	<i>No</i>	<i>Limited</i>	<i>Moderate</i>	<i>Substantial</i>	<i>Full</i>
Thematic Reviews on target to achieve their objectives.					
Business Plan savings monitored					
Finance tables formulated appropriately/quality assured.					
Budget proposals accurate, evidence based and focused on service transformation.					
Proposals subject to robust challenge at both service and corporate level.					
The impact of proposals are evaluated					
<u>Overall</u>					

2.3.2 Use of Consultants/Agency Workers – Review of the Implementation of Member Recommendations

A '**moderate**' assurance rating was assigned for this review and illustrated that 11 of the 13 member recommendations had been implemented.

The review identified that spend charged to the Consultancy ledger code was overstated as it included spend on statutory or independent advisers. It has been agreed that a separate ledger code will be set up for such spend.

There was evidence that a requirement to submit Consultancy Justification Forms to the Procurement Team was not being fully complied with. Additionally, 20% of agency worker incidents were not supported by the requisite exemption forms.

<i>Process Area</i>	<i>No</i>	<i>Limited</i>	<i>Moderate</i>	<i>Substantial</i>	<i>Full</i>
Review recommendations are in place					
Those recommendations are being followed by Officers					
Agency Worker systems of control					
<u>Overall</u>					

2.3.3 Procurement

All of the process areas reviewed within this review was assigned ‘full’ or ‘substantial’ assurance as illustrated in the assurance matrix below.

<i>Process Area</i>	<i>No</i>	<i>Limited</i>	<i>Moderate</i>	<i>Substantial</i>	<i>Full</i>
Procurement resource, and quality support and guidance are available on procurement processes and obtaining value for money.					
Procurement processes are streamlined and proportionate.					
The Council's procurement approach supports local businesses appropriately and proportionately.					
The LGSS Procurement team is adding value by delivering savings and quality support; Service Managers are consulting the LGSS Procurement team in a timely manner.					
Appropriate mechanisms are in place to identify and deal with non-compliance with Contract Regulations and procurement advice.					

<u>Overall</u>					
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2.4 Performance Reporting for Decision making

The overall assurance rating for this review was '**moderate**'.

Assurance was obtained over the measures in place to monitor data quality, the use of performance targets and the process by which Members choose the performance indicators they wish to review.

The review identified that enhancements could be made in the areas of:

- Strengthening the links between financial and performance information.
- Developing formal processes to identify good and poor practice within performance reporting processes across services.

<i>Process Area</i>	<i>No</i>	<i>Limited</i>	<i>Moderate</i>	<i>Substantial</i>	<i>Full</i>
Reporting to Members and Directors is suitably defined					
Use of Performance Targets to achieve the Golden Thread					
Performance management system fit-for-purpose					
Performance data quality assurance and continuity					
<u>Overall</u>					

2.5 Financial Systems

The review of the key financial systems was undertaken jointly by the CCC and NCC Internal Audit teams, with a lead auditor from one of the teams leading the review across both sites. Rather than reproduce the detailed assurance key for each system, the overall assurance rating is detailed below:

<i>Risk Area</i>	<i>No</i>	<i>Limited</i>	<i>Moderate</i>	<i>Substantial</i>	<i>Full</i>
Accounts Receivable/ Income					
Purchase to Pay					
Payroll					
General Ledger					
Bank Reconciliation					
IT Access Controls to Key Financial Systems					
Treasury Management					
Pensions Administration					

Specific commentary of these reviews can be referred to in the Annual Internal Audit Report within this same agenda.

2.6 LGSS REVIEWS

2.6.1 LGSS Service Delivery

The review was assigned a '**moderate**' assurance rating.

The review highlighted a number of aspects of services provided to Cambridgeshire County Council by LGSS which required enhancement, e.g. the formalisation of working arrangements. Many of these enhancements have been, or are in the process of being, implemented. A key enhancement made by LGSS has been the creation of a Service Assurance, Customers and Strategy Team which will lead on many aspects of the enhancement.

<i>Process Area</i>	<i>No</i>	<i>Limited</i>	<i>Moderate</i>	<i>Substantial</i>	<i>Full</i>
Roles and Responsibilities					
Clear routes of contact and business processes					
Management of knowledge and expertise					
Service standards and performance information					
Open and transparent decision making					
Escalation procedures					
<u>Overall</u>					

2.7 FRAUD AND CORRUPTION UPDATE

2.7.1 The previous Progress Report to the Committee identified that 4 investigations were ongoing. The position on these 4 cases is:

- The Team has concluded its investigations into 2 of the cases and referred the findings to Cambridgeshire Police. The Team continues to support the Police on these cases as required.
- A review of the procurement practices of a budget holder in Enhanced & Preventative Services has been concluded. The review found no evidence of any inducements being offered by or being received from a supplier and stock takes provided assurance that the items purchased from the supplier could be accounted for. However, it was clear value for money had not been achieved in the purchases. Management instructions were issued to the budget holder and a report of key lessons arising from the investigation was issued to the relevant management team.
- A review of concerns raised by the Quality Care Commission in respect of the administration of service user's financial affairs by a residential care provider has been concluded. The IA Team worked closely with the Care Services Development Team who undertook visits to check how service users' financial affairs were being managed by the Provider. This provided assurance that there was no evidence of fraudulent activity. However, the review did identify a number of concerns about the administration of service users' finances. The Provider agreed to enhance its processes accordingly.

2.7.2 Internal Audit has commenced an investigation into concerns regarding the appropriateness of purchase card expenditure by a team in the Learning Directorate.

2.8 IMPLEMENTATION OF MANAGEMENT ACTIONS

2.8.1 Management Actions Outstanding as at 30th April 2014

	Category 'Fundamental' recommendations		Category 'Significant' recommendations		Total	
	Number	%age of total	Number	%age of total	Number	%age of total
Implemented	21	78%	33	54%	54	61%
Actions due within last 3 months, but not implemented	0	0%	11	18%	11	13%
Actions due over 3 months ago, but not implemented	6	22%	17	28%	23	26%
Total	27		61		88	

2.8.2 Details of the 6 'Fundamental' recommendations are provided in Appendix 2.

APPENDIX 1

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: DETAILED SUMMARY OF FUNDAMENTAL RECOMMENDATIONS - OUTSTANDING FOR OVER 3 MONTHS

Audit Area	Service Area	Issue / Outstanding Action	Reason for Revised Implementation Timescale	Officer Responsible	Original Date	Revised Date
Safeguarding Vulnerable Adults	Adult Social Care	The timescales for processing a case should be reviewed for appropriateness	Progress has been made in updating the procedures but until the DoH publicise its guidance and impact assessments on the new regulations in May 2014 with further guidance in October 2014 it has been agreed that rather than updating now and then again in May we would wait until the DH has produced its guidance	Adult Safeguarding and Quality Manager	April-13	Mar 14 Nov 14
Children in Entertainment	Enhanced and Preventative Services	A review of roles and responsibilities should be undertaken by the Service to ensure that these are formally documented	It is an inappropriate time to conduct a formal review of roles and responsibilities in light of the expected Early Help revisions to services. However actions undertaken to change reporting lines of the service will serve to mitigate the risk originally identified for this finding. Internal Audit awaiting relevant documentation to evidence the changes.	Behaviour and Attendance Manager	Dec-13	June 14
Scheme of Delegation	LGSS Finance	Delegated limits should be introduced across the Council for the approval of orders for goods, works and services. Additionally financial limits on delegated powers for tendering and management of contracts should define and communicated across the Council.	The Purchase to Pay changes have been approved by SMT. Other elements of the Scheme have subsequently been updated including the collections policy and a complete set is being considered by GPC on 1 st July.	Head of Finance	Oct-12	Feb 14 May 14 Aug 14
Community Interest Companies	CFA	Early stage declaration and guidance to be developed for those involved in forming Community Interest Companies	Legal Services has drafted a guidance document for Community Interest Companies. CFA to implement.	Head of Youth Support Services	Nov 13	Feb 14 May 14 Aug 14

Key Financial Systems	LGSS Finance	Management should ensure regular monitoring of suspense accounts forms part of the general review process during the financial year. A formal record of suspense accounts should be maintained	Suspense accounts have been reconciled as part of 2013/14 closedown. Finance propose that suspense accounts will be reconciled on a quarterly basis, starting Q1, 14/15	Principal Accountant (Reporting)	Dec 13	July 14
Key Financial Systems	LGSS	The current approach to allocating responsibilities to Financial Systems and System Support staff should be reviewed, reducing access to only those elements of functionality required to perform key tasks	This action was followed up as part of the annual audit of the key financial systems for 2013/14. This identified that the action is outstanding. A revised timescale for implementation has been agreed with management.	Head of Transactions	Sep 13	Apr 15