TITLE   **INTERNAL AUDIT PROGRESS REPORT**

To: **Audit & Accounts Committee**

Date: **20th September 2016**

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

1.   PURPOSE

1.1   To report on the main areas of audit coverage for the period 1st June 2016 to 31st August 2016 and the key control issues arising.

2.   BACKGROUND

2.1   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.

2.2   The 2016/17 Audit Plan was approved by the Committee on 15th March 2016.

2.3   The Committee is requested to consider the contents of this report.

background papers: included in appendices

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LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Quarterly update report

Q2

As at 31st August 2016

1. FINALISED ASSIGNMENTS

1.1 Since the previous Progress Report to the Audit and Accounts Committee in July 2016, 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.	Cross-Cutting (CCC-wide)	Overtime Compliance	Good	N/A	Minor
2.	Economy, Transport & Environment	Local Sustainable Transport Fund Grant	Grant verification provided		
3.	Economy, Transport & Environment	Arts Grant (Museum Resilience Fund)	Grant verification provided		
4.	Economy, Transport & Environment	Disabled Facilities Grant	Grant verification provided		
5.	Economy, Transport & Environment	Local Growth Fund Grant	Grant verification provided		
6.	Children, Families & Adults (CFA)	Troubled Families Grant	Grant verifications provided		
7.	Customer Service & Transformation	Quality Assurance Task & Resource Mapping	Report provided to management		
8.	Key Financial Systems	Pensions	Substantial assurance		
9.	Key Financial Systems	IT General Controls	Substantial Assurance.		
10.	CFA - Schools	Histon Early Years – Safe Recruitment	Limited assurance		
11.	CFA - Schools	Harbour School – Schools Financial Risks	Limited assurance		

| 12. | CFA - Schools | Ely St Johns School – Schools Financial Risks | Good assurance |

2.2 Summaries of the finalised reports with moderate or less assurance are provided in Section 6. This excludes individual schools audits, which are reported collectively once all reviews have been finalised.

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

Table 2: Draft/Interim Reports

No.	Directorate	Assignment
1.	Cross-Cutting	Scheme of Delegation
2.	Children, Families & Adults	Community-Based Appointeeships
3.	Children, Families & Adults	Residential Appointeeships
4.	Downham Feoffees School	Schools Financial Risks
5.	Foxton School	Schools Financial Risks
6.	Granta School	Schools Financial Risks
7.	Kings Hedges School	Schools Financial Risks
8.	Linton Infants School	Schools Financial Risks
9.	Morley Memorial School	Schools Financial Risks
10.	Somersham School	Schools Financial Risks
11.	St Helen's School	Schools Financial Risks
12.	Stukeley Meadows School	Schools Financial Risks
13.	Thorndown School	Schools Financial Risks
14.	Wheatfields School	Schools Financial Risks

2.4 Further information on work planned and in progress may be found in the Audit Plan, attached as Appendix A.

2. *FRAUD AND CORRUPTION UPDATE*

2.1 COUNTER FRAUD AWARENESS:

The LGSS Internal Audit Counter Fraud Team has been working with the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre to develop a campaign to raise awareness of the issue of fraud and how to report any concerns.

This includes a refresh of the Council's current Fraud Awareness posters, which encourage members of staff to blow the whistle on fraud. The posters have been redesigned with support from the CIPFA Counter Fraud Centre, and the poster campaign at Cambridgeshire County Council (CCC) will be used as an example of CIPFA-recommended good practice.

In addition to the poster campaign, a new page has now been launched on the Council's intranet which explains how to report fraud and provides advice on warning signs to look out for. Awareness will also be raised through posts on the Council's Daily Blog and in service/departmental newsletters.

2.2 IMPLEMENTATION OF CIVICA:

The LGSS Internal Audit Counter Fraud Team has now implemented CIVICA, a specialist fraud management system. This system enables the team to meet Data Protection Act and Criminal Procedure and Investigations Act requirements in their work, as well as ensuring improved management reporting. All investigations that have been opened since the start of the financial year are now recorded on this system; in total, 47 referrals have been received.

2.3 CURRENT INVESTIGATIONS:

A summary of the current investigative caseload of the Internal Audit and HR teams is provided below. This includes investigations relating to suspected theft, fraud or misuse of funds, which are led by Internal Audit, and disciplinary investigations which are led by Human Resources (HR).

The vast majority of the Internal Audit investigation cases relate to pensions where payments have been suspended for reasons that are considered 'high-risk' for fraud, such as bank account changes, returned post etc., as opposed to where an allegation of fraud has been received. The team are working with the Pensions service to resolve these suspended cases, and as at the end of August, 16 have been closed.

Type	No. cases	Outcomes
Theft Investigation	1	Ongoing
Blue Badge misuse	1	Closed – advice given
Bus Pass misuse	2	Referred to the police
Pensions – high risk suspended payments	42	Ongoing (16 closed to date)
School Insurance	1	Closed – advice given
Disciplinary	10	Open/Ongoing
Grievance	8	Open/Ongoing
Performance	8	Open/Ongoing
Whistleblowing	1	Open/Ongoing
Attendance Management	86	Open/Ongoing

4 IMPLEMENTATION OF MANAGEMENT ACTIONS

4.1 The outstanding management actions as at May 2016 are summarised in Table 3, which 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%)	46	75% (92%)	73	83% (94%)
Actions due within last 3 months, but not implemented	0	0% (0%)	11	18% (7%)	11	13% (5%)
Actions due over 3 months ago, but not implemented	0	0% (0%)	4	7% (2%)	4	4% (1%)
Totals	27		61		88	

4.2 There are currently no outstanding fundamental recommendations.

4.3 A summary of the outstanding significant recommendations, and the current progress with implementing them, is provided at Appendix B. The majority of these outstanding actions relate to a review of Deputyships, and senior management are currently finalising an action plan to address this.

5. SUMMARIES OF COMPLETED AUDITS WITH MODERATE OR LESS ASSURANCE

N/A – no such audits have been issued this quarter.

6. OTHER AUDIT ACTIVITY

In addition to completing ongoing audit reviews, the Internal Audit team is conducting work in the following areas.

6.1 TRANSFORMATION PROGRAMME

The Internal Audit team has worked with senior management to conduct a review of the Internal Audit Plan 2016/17, to ensure that it is aligned with the transformation programme currently underway at Cambridgeshire County Council. A revised plan was presented to Strategic Management Team (SMT for discussion on the 12th August. Audits that were already in the 2016/17 Plan were reviewed, to identify where they could be more closely aligned to the themes of the Transformation Plan, and a number of new audits were added to the Plan. These reviews are focused on the transformation programme, particularly on benefits realisation reviews, and time has also been set aside to provide support to the Corporate Capacity Review and transformation programme as a whole.

When the 2016/17 Audit Plan was set, it was designed to include contingency for additional reviews to be added in-year as new risks emerge, and time was set aside for the Transformation Programme; this means that it has been possible to make these changes without cancelling planned audits.

The final agreed plan is presented below at Appendix A.

6.2 IMPLEMENTATION OF GALILEO

LGSS Internal Audit is currently working on the pre-implementation of the Galileo audit management, documentation and reporting system. This system is currently in use at the Milton Keynes office and an updated version will be rolled out across the LGSS offices. This will enable effective electronic and agile working, and improved automation of performance reporting and management information.

Staff from the Cambridgeshire office have now attended three design workshops to ensure that the configuration of the new system will meet the requirements of the Cambridgeshire team. A training day on the system is being held on the 29th August and two team members from each office will receive full system training; they will then train colleagues in turn.

The system will be rolled out to the Milton Keynes office during October 2016 and they will act as a trial site for the new system. The Internal Audit team are currently liaising with IT across all three sites to identify a roll-out schedule for Cambridgeshire and Northamptonshire; currently the intention is that this system will be rolled out to Cambridgeshire by the start of the new financial year in April 2017.

CCC INTERNAL AUDIT PLAN 2016/17

Audit Title *as per APACE*	Status (drop-down)	Directorate (drop-down)	Qtr Opened	Qtr Closed	Plan Days
TRANSFORMATION PROGRAMME					
Following the Money Strategy	Not Started	Cross-Cutting	Q3		20
Transformation Programme	Not Started	Cross-Cutting	Q2		10
Corporate Capacity Review	Ongoing	Cross-Cutting	Q2		10
Procurement, Contracts & Purchasing (V4)	Ongoing	Cross-Cutting	Q1		20
QA Task & Resource Mapping	Closed	Cross-Cutting	Q2	Q2	5
Corporate Policy Statements	Not Started	Cross-Cutting	Q2		20
Partnerships Framework	Open	Cross-Cutting	Q2		5
Transformation Programme - Benefits Realisation	Not Started	Cross-Cutting	Q3		15
Business Planning Compliance	Not Started	Cross-Cutting	Q3		15
MAKING EVERY PENNY COUNT					
Client Contributions	Open	CFA	Q1		20
Traded Services - Cost Recovery	Open	Cross-Cutting	Q2		20
VAT - Compliance	Open	Cross-Cutting	Q1		20
Review of Procurement - Compliance	Not Started	Cross-Cutting	Q2		10
Overtime - Compliance	Closed	Cross-Cutting	Q1	Q2	20
Travel & Subsistence - Compliance	Open	Cross-Cutting	Q2		20
KEY FINANCIAL SYSTEMS					
Accounts Receivable	Not Started	Cross-Cutting	Q4		15
Purchase to Pay	Not Started	Cross-Cutting	Q4		20
Payroll	Not Started	Cross-Cutting	Q4		25
General Ledger	Not Started	Cross-Cutting	Q4		10
Bank Reconciliation	Not Started	Cross-Cutting	Q4		5
Treasury Management	Not Started	Cross-Cutting	Q4		5
Financial Systems IT General Controls	Not Started	Cross-Cutting	Q4		10
Risk Management	Not Started	Cross-Cutting	Q3		5
Procurement Governance	Not Started	Cross-Cutting	Q2		20
Debt Recovery	Open	Cross-Cutting	Q1		20
GRANT VERIFICATION					
Local Transport Capital Block Funding	Open	ETE	Q2		5
Local Sustainable Transport Fund	Closed	ETE	Q1	Q2	5

Cycle City Phase II	Not Started	ETE	Q2		5
Public Health Grant	Open	PH	Q2		5
Troubled Families Grant	Ongoing	CFA	Q1		20
Disabled Facilities Grant	Closed	CFA	Q2	Q2	2
Bus Services Operators Grant	Open	ETE	Q2		5
Arts Grant	Closed	ETE	Q1	Q2	5
Local Growth Fund Grant	Closed	ETE	Q2	Q2	5
COMMISSIONING & CONTRACTS					
Schools Capital Programme	Not Started	CFA	Q2		20
Skanska Highways	Ongoing	ETE	Q1		20
Highways Contract Transformation	Ongoing	ETE	Q1		25
Waste PFI Contract	Ongoing	ETE	Q2		25
Street Lighting PFI	Open	ETE	Q1		15
Off-Contract Spend	Open	Cross-Cutting	Q2		15
Commissioning	Not Started	Cross-Cutting	Q3		15
Contract Management	Not Started	Cross-Cutting	Q3		15
RISK-BASED AUDITS					
Section 106	Open	ETE	Q1		20
Total Transport Pilot	Open	ETE	Q1		20
Replacement of AIS System	Open	CFA	Q1		20
Commitment Records in CFA	Open	CFA	Q1		20
Public Health Joint Intelligence Unit*	On Hold*	PH	Q1		15
Quality Assurance	Open	CFA	Q1		15
Appointeeships	Open	CFA	Q1		20
Blue Badges	Closed	CST	Q1	Q1	0
Residential Care Homes Project	Ongoing	CFA	Q1		10
Property Portfolio Development Project	Ongoing	Cross-Cutting	Q1		10
Other Risk-Based Audits	Not Started	Cross-Cutting			8
POLICIES & PROCEDURES					
Financial Regulations	Not Started	Cross-Cutting	Q3		5
Contract Procedure Rules	Not Started	Cross-Cutting	Q2		5
Business Continuity Policy	Not Started	Cross-Cutting	Q3		5
Scheme of Delegation	Closed	Cross-Cutting	Q2	Q2	5
Information Governance Policies	Not Started	Cross-Cutting	Q3		10
Code of Conduct and Behaviour Policies	Not Started	Cross-Cutting	Q2		5
Risk Management Policy	Not Started	Cross-Cutting	Q3		5
Enforcement Policy	Not Started	Cross-Cutting	Q2		5
COMPLIANCE					
Direct Payments - Compliance	Not Started	CFA	Q4		15

Duplicate Payments - Compliance Follow-Up	Not Started	Cross-Cutting	Q3		5
Fees and Charges Compliance	Open	Cross-Cutting	Q2		10
Grants to Voluntary Organisations - Compliance	Open	Cross-Cutting	Q2		15
Agency Staff - Compliance	Open	Cross-Cutting	Q2		15
Unannounced Visits - Compliance	Open	Cross-Cutting	Q2		20
Key Performance Indicators - Compliance	Open	Cross-Cutting	Q1		15
Scheme of Delegation - Compliance	Open	Cross-Cutting	Q2		15
Use of GPC - Compliance	Open	Cross-Cutting	Q2		15
Contract Extensions - Compliance	Open	Cross-Cutting	Q3		15
EU Procurement Regulations - Compliance	Open	Cross-Cutting	Q2		20
ICT AND INFORMATION GOVERNANCE					
Information Security	Not Started	CST	Q3		15
Records Management - ICO	Closed	CST	Q1	Q1	5
Agresso ERP	Not Started	Cross-Cutting	Q2		10
General Computer Controls	Not Started	Cross-Cutting	Q4		20
SCHOOLS					
Schools Financial Risks	Open	CFA	Q1		30
Safe Recruitment	Open	CFA	Q1		30
Schools (Other)	Not Started	CFA	N/A		60
Schools Advice & Training Sessions	Ongoing	CFA	N/A		5
ANTI-FRAUD AND CORRUPTION					
Preventative & Pro-Active Fraud Work	Ongoing	Cross-Cutting	N/A		10
National Fraud Initiative	Open	Cross-Cutting	Q2		30
St Luke's Working Party	Open	CFA	Q1		10
Fraud Investigations	Ongoing	Cross-Cutting	Q1		125
GOVERNANCE, RISK MANAGEMENT & OTHER					
Annual Governance Statement/CoCG	Closed	Cross-Cutting	Q1	Q1	15
Assurance Framework	Closed	Cross-Cutting	Q1	Q1	10
Risk Management	Ongoing	Cross-Cutting	N/A	N/A	75
FOI requests	Ongoing	Cross-Cutting	N/A	N/A	0
Advice & Guidance	Ongoing	Cross-Cutting	N/A	N/A	50
Follow-Ups of Agreed Actions	Ongoing	Cross-Cutting	N/A	N/A	40
Committee Reporting	Ongoing	Cross-Cutting	N/A	N/A	25
Management Reporting	Ongoing	Cross-Cutting	N/A	N/A	25
Audit Plan	Ongoing	Cross-Cutting	N/A	N/A	25
Operational Plan Total - 2016/17					**1550**

* The planned review of the Public Health Joint Intelligence Unit is currently on hold at the request of the Director of Public Health, as development of the Joint Intelligence Unit has been delayed by the ongoing Corporate Capacity Review.

SUMMARY OF OUTSTANDING SIGNIFICANT & FUNDAMENTAL RECOMMENDATIONS

Audit	Risk level	Summary of Recommendation	Target Date	Status
Central Library Enterprise Centre Review	M	**Options Appraisal, Market Research & Procurement:** Development of guidance relating to options appraisals and market research as part of a review of project management methodology.	1/2/16	Development of new project management guidance has been delayed due to the Corporate Capacity Review which incorporates a complete review of current project management resource and structures. Implementation of these actions is being taken forward as part of this review and the next follow-up report will be brought to Audit & Accounts Committee in January 2017.
	M	**Engagement with Members:** Updated guidance to be included in the review of project management methodology around member oversight and engagement with the development of major projects; providing sufficient information on proposed partner organisations; and keeping local Members informed about matters affecting their divisions.	1/2/16	
	M	**Public Consultation:** Updated guidance to be included in the review of project management methodology around planning for public consultation and gaining appropriate input from Members.	1/2/16	
	M	**Business Cases:** Updated guidance to be included in the review of project management methodology around producing robust individual business cases for all projects.	1/2/16	
Home to School Transport	M	**Risk Register:** Home to School Transport safeguarding risk to be formally and clearly recognised within the CFA Risk Register.	30/6/16	This action had been overlooked by the service, who have confirmed that this will be complete by 30/9/16. Audit have seen evidence of work to action

				this.
Direct Payments	M	**Direct Payment Agreements:** The Direct Payment Agreement form to be amended to incorporate a number of key recommendations from the audit, to enable improved monitoring and challenge over the use of Direct Payment monies.	30/6/16	The service has developed both sets of documents, but upon review by Internal Audit it was felt that these did not fully address all aspects of the audit recommendations. Feedback has been provided and we are waiting to see the updated documents.
	M	**Suspected fraud or misuse:** Written guidance procedure to be creating, giving the steps to be undertaken by Direct Payments Monitoring Officers and Social Workers in the event of suspected fraud or misuse of Direct Payments.		
Vulnerable Clients' Monies Management (Deputyships)	M	**Written Procedures:** A complete set of written procedures will be drawn up for Deputyships Officers.	1/7/16	8 of the outstanding recommendations relate to a review of Vulnerable Clients Monies Management. Internal Audit has been working with the service to ensure that the risks identified by the review are addressed; however although some progress has been made against some of these actions, none have been fully implemented.

Senior Management are currently in the process of developing an action plan which will ensure that all outstanding actions relating to this review are addressed, and Internal |
	M	**Receipts, financial records, fraud risk:** A procedure will be developed by the team for the review of receipts and financial records.	1/7/16	
	M	**Tax Returns & Capital Gains Tax:** Guidance will be created for Deputyships Officers on the instances when they need to consider whether a service user may owe tax, and a review will be undertaken of all clients to identify those who need to submit annual tax returns.	1/7/16	
	M	**Inventories and House Clearances:** An inventories and house clearance procedure will be developed and the team will undertake a competitive procurement exercise for the contract for house clearances.	1/7/16	

	M	**Investment of Assets:** A review of client savings accounts will be undertaken to establish the current savings values for clients and the level at which investment in high-interest accounts will be considered. The team will establish options for investment of high-value client assets and develop a procedure for financial planning.	1/7/16	Audit will complete a follow-up audit in the 2017/18 financial year to verify that all the risks have been addressed.
	M	**Liaison and Interface with Social Care:** Review and update the *Court of Protection Deputyship: General Principles and Operating Procedures* guide in conjunction with representatives from Social Care and re-issue.	1/7/16	
	M	**Updating Guidance Documents:** A comprehensive review and update of the guidance relating to Deputyships; Appointeeships; and Handling Clients' Finances.	1/7/16	
	M	**Distribution of Guidance and Training:** Guidance documents will be updated as per the above and distributed to social care staff, promoted and shared more widely with relevant partners. The current Mental Capacity Act Training will be updated.	1/7/16	