

AUDIT & RISK MANAGEMENT SERVICE

INTERNAL AUDIT PROGRESS REPORT AND QUARTER 3 PLAN 2013/14

Introduction

1. The Internal Audit Plan for Quarter 3 is attached as appendix 1 to this report, and includes a progress status on the previously reported planned activity.

Resources

2. We have undertaken a recruitment process for a senior auditor position and an update on the outcome will be presented at the meeting. We will be advertising for a principal auditor position by the end of September.
3. We will shortly be procuring an IT Audit specialist to undertake an IT Audit needs assessment.

Completed Audits

4. There have been six audits completed since the last report. A further two audits are at draft report stage. Summaries of the completed audits are attached as appendix 2.
5. The following audits have been completed:

Service	Audit	Opinion
CYP	Mandeville School	Limited
CYP	Families First	No opinion - grant claim
CYP	School Admissions	Substantial
AFW	Fuel Poverty Grant	No opinion - grant claim (no issues to report)
CBE	Joint Waste Committee Return	No opinion - grant claim (No issues to report)
Corporate	Health and Safety	Reasonable

Other Audit Activity

6. An audit of Capital Programme Management was added to the planned activity scheduled for Q2, at the request of the Cabinet Member.
7. The Purchase to Pay project has been established. The Chief Internal Auditor is on the project board; however, in addition the Audit Manager is providing advice and support to the project, which in time will include reviewing the controls being considered in the design of new systems and processes.
8. The Strategic Director is Hon Secretary/Treasurer for ADEPT (Association of Directors of Environment, Economy, Planning and Transportation). Internal Audit is undertaking the annual audit of the ADEPT Accounts.

2013/14 Counter-Fraud Update

NFI Update

9. The Audit Commission have reviewed our progress with investigating the NFI matches. At the time of their visit a small number of matches had been investigated by the designated lead officers in each area. Following the visit an action plan was established on which key matches to focus on, along with guidance on the best way to investigate them. In total there are 14,550 matches, of which we have been recommended to look at 3,284.
10. The key contacts for each area have been reminded of the requirement to investigate the matches and which ones to prioritise. As at 16/08/13 226 matches had been closed. Progress is being monitored by Internal Audit with our next review scheduled for the end of September.

Investigations

11. Zipporah System – Internal Audit has investigated an irregularity in respect of a low value income transaction. The investigation was inconclusive, however control weaknesses were identified for which actions are being taken to address them. A further audit of this income system is on-going, and will consider the adequacy and effectiveness of the actions taken.
12. Vodafone – There have been three suspected irregularities reported over the use of mobile phones. They are all low value, but are being investigated. In addition a review of the system for administering the allocation and use of mobile phones is being undertaken.

Whistleblowing

There have been recent changes to the Public Interest Disclosure Act that will require the BCC Whistle-blowing Policy to be updated. The updates required

have been reported to HR for amending the policy. The key changes are as follows:

- A qualifying disclosure is one that is made in the public interest.
- Removal of the requirement for the disclosure to be made in good faith.
- Employees and workers who make protected disclosures are protected from adverse treatment in relation to their employer's activity. In addition, whistleblowers are protected from suffering a detriment, bullying or harassment from another worker.
- A qualifying disclosure means any disclosure of information that, in the reasonable belief of the worker is made in the public interest. As a result of this employees will generally be precluded from being able to "blow the whistle" about breaches of his or her employment contract. Although an employee making such complaint can still use the Council's grievance policy.

Ian Dyson
Chief Internal Auditor
July 2013

APPENDIX 1 Regulatory & Audit Committee 24 September 2013 - Progress against Quarter 2 Plan 2013/14 & Quarter 3 Plan

Directorate	Qtr Start	Audit	Progress as at 13 September 2013 (Bold = complete)
GENERAL	1	<p>Annual Governance Statement</p> <p>We will be analysing the self-assessment Annual Governance Statement questionnaires returned from Service Directors. This will form key evidence for the production of the Annual Governance Statement. The Chief Internal Auditor will also be liaising with the Corporate Leads on the key control processes in compiling the AGS.</p>	Completed – AGS signed
GENERAL	1	<p>Assurance Mapping</p> <p>This work has started and will be piloted in Oxfordshire. Once the first review in Oxfordshire has been completed the model will be tested at BCC</p>	On-going
CORPORATE	1	<p>Health and Safety (Legislation)</p> <p>Carried forward from 2012/13 this audit will review the system for ensuring statutory responsibility for Health and Safety is being effectively managed.</p>	Final Report - Reasonable
CYP	1	<p>Mandeville School</p> <p>A request was received to undertake a full audit of Mandeville School, following the issue of a Notice of Concern, due to a significant year end overspend. The audit will focus on the following areas:</p> <ul style="list-style-type: none"> • Governance. • Financial Management (budget setting and budget monitoring). • Financial Control. • Payroll. 	Final Report - Limited

Directorate	Qtr Start	Audit	Progress as at 13 September 2013 (Bold = complete)
		<ul style="list-style-type: none"> • Procurement, contracts and leases. • Accounts Payable. • Purchasing Card. • Imprest. 	
CYP	1	<p>Bucks Learning Trust</p> <p>The Audit and Risk Management Team will continue to review the governance arrangements through the life of this project, including reviewing the operational systems and procedures being designed for the operation and management of the contract with the LATC.</p>	This work is on-going
CYP	2	<p>Schools Thematic (Budget Setting and Budget Monitoring)</p> <p>The original audit has been suspended and replaced by an analytical review of the 2011/12 and 2012/13 budget information for all schools in Buckinghamshire, identifying trends and issues. The evidence will be used to inform a service led review of the S151 system of assurance over financial management in schools, including a review of roles and responsibilities. That review is being managed as a project, sponsored by the Chief Internal Auditor and led by the Finance Business Partner.</p>	Project initiated.
CYP	2	<p>Families First</p> <p>This work involved a review of the governance arrangements and data control processes in place in order to verify and sign off the grant claim for the government's Troubled Families results-based payments claim.</p>	Complete
CYP	2	Care Management Controls	Fieldwork stage (to be continued through Q3)

Directorate	Qtr Start	Audit	Progress as at 13 September 2013 (Bold = complete)
		The main focus of the audit will be to review the monitoring mechanisms in place which provide assurance that key processes to safeguard children are working effectively.	
CYP	2	Schools Admissions The audit involved a review of the adequacy and effectiveness of the system of internal controls over the School Admission process for September 2013 Primary and Secondary school entry.	Final Report - Substantial
CYP	2	SEN Follow Up	To be completed in Q3
AFW	1	Local Authority Trading Company The Audit and Risk Management Team will continue to review the governance arrangements through the life of this project, including reviewing the operational systems and procedures being designed for the operation and management of the contract with the LATC.	This work is on-going
AFW	1	Fuel Poverty Grant This work is an audit of the allocation of the DECC Fuel Poverty Grant, reviewing the supporting documentation that details how the grant has been allocated and spent.	Complete
AFW	2	Safeguarding The main focus of the audit will be to review the monitoring mechanisms in place which provide assurance that key processes to safeguard vulnerable adults are working effectively.	Fieldwork stage (to be continued through Q3)

Directorate	Qtr Start	Audit	Progress as at 13 September 2013 (Bold = complete)
CBE	1	Joint Waste Committee Return This work is an audit of the Annual Return 2012/13 for the Buckinghamshire Joint Committee on Waste.	Complete
CBE	1	AMEY Contract	Draft Report
CBE	1	Ringway Jacobs Contract	Draft Report
CBE	2	ADEPT Accounts This work is an audit of the Association of Directors of Environment, Economy, Planning & Transportation accounts, of which the Strategic Director, Communities and Built Environment, is the Honorary Secretary & Treasurer.	Fieldwork stage
CBE	2	Capital Programme Management This audit was requested by the Cabinet Member. The audit will review how the schemes in the programme are being managed, with particular focus on project slippage.	Fieldwork Stage
RBT	1	Vodafone The audit will document the current processes in place for administering and monitoring the use of Vodafone mobile phones across the Council.	Exit Meeting
RBT	2	Growth and Optimisation Gateway Review The Support Services Transformation Programme commenced in 2010. An outline Business Case for Growth and Optimisation was presented to Members in July 2012. The Internal Transformation, with Selective	Draft Report

Directorate	Qtr Start	Audit	Progress as at 13 September 2013 (Bold = complete)
		<p>Partnering or Outsourcing, was agreed by Members as the preferred way forward and an updated Business Case was approved in April 2013.</p> <p>The work will involve a gateway review of the programme to assess the robustness of the Business Case, programme governance, project management and strategic fit with the Council's objectives.</p>	
RBT	2	<p>Review of Charges</p> <p>The audit will review how charges made by the Council comply with legislation and regulations and how those charges are aligned to the Income Generation Strategy. At an operational level the audit will consider the application of those charges and for a sample the systems for collection of fees charged.</p>	Fieldwork stage
RBT	2	<p>Income Collection (Zipporah)</p> <p>Following on from the Review of Charges audit, this review will evaluate the effectiveness of how the Council's income collection system (Zipporah) is utilised.</p>	Scoping Stage
RBT	2	<p>Payroll Project</p> <p>Following the "limited" Payroll audit report for 2012/13, a project was initiated to address the issues identified.</p> <p>This work will oversee project progress, advising on the controls being implemented and the overall delivery of the project. The work will also inform the 2013/14 Payroll review.</p>	Ongoing

Directorate	Qtr Start	Audit	Progress as at 13 September 2013 (Bold = complete)
RBT	2	<p>Purchase to Pay Project</p> <p>This work will support the Purchase to Pay Project, advising on any revisions to procurement processes. The work will also aim to ensure the appropriate control mechanisms are in place, prior to their submission to the Project Board for approval.</p>	Ongoing

Quarter 3 - 2013/14 Internal Audit Plan

Directorate	Qtr Start	Audit
CYP	3	<p>School Visits</p> <p>Following on from the School Needs Assessment, two schools will be visited with a full audit being undertaken. These schools are yet to be identified.</p>
CYP	3	<p>Schools Thematic (Payroll & Recruitment)</p> <p>This audit is a thematic review of the payroll and recruitment processes in place within schools. The audit will involve visiting a sample number of schools to review their processes, as well as the involvement and system in place centrally.</p>
CYP	3	<p>6th Form Grant Funding</p> <p>This audit will involve a review of the accuracy of the Local Authority's 16-19 Grant Return.</p>
CYP	3	Follow Up of Schools Audit Actions

Directorate	Qtr Start	Audit
		This work will involve following up the audit actions agreed as part of the 2012/13 school visit audits.
CYP	3	<p>Governance Establishment (Aftercare Team)</p> <p>This review is being undertaken as part of the Governance and Financial Management audit work, focussing on the effectiveness of the governance and financial management arrangements in place. The outcome of the audit will form part of the overall assurance for the Service Directors to complete their self assessment as part of the annual governance process.</p>
CYP	3	<p>Governance and Financial Management</p> <p>This is an annual audit to review governance and financial management arrangements in place within the service areas. The programme of work will be completed over the remainder of the year, and will include testing on compliance with key corporate processes. Testing will follow on from the 2012/13 audits with areas being selected from the following:</p> <ul style="list-style-type: none"> • Authority and Governance. • Risk Management. • Financial Management. • Performance Management. • Human Resources. • Legislation. • Procurement. • Information Governance. • Project Management. • Partnerships. <p>The outcome of the audit will form part of the overall assurance for the Service Directors to complete their self assessment as part of the annual governance process.</p>

Directorate	Qtr Start	Audit
AFW	3	<p>Governance Establishment (Coroner Service)</p> <p>This review is being undertaken as part of the Governance and Financial Management audit work, focussing on the effectiveness of the governance and financial management arrangements in place. The outcome of the audit will form part of the overall assurance for the Service Directors to complete their self assessment as part of the annual governance process.</p>
AFW	3	<p>Governance Establishment (Community Hospital Team)</p> <p>This review is being undertaken as part of the Governance and Financial Management audit work, focussing on the effectiveness of the governance and financial management arrangements in place. The outcome of the audit will form part of the overall assurance for the Service Directors to complete their self assessment as part of the annual governance process.</p>
AFW	3	<p>Governance and Financial Management</p> <p>This is an annual audit to review governance and financial management arrangements in place within the service areas. The programme of work will be completed over the remainder of the year, and will include testing on compliance with key corporate processes. Testing will follow on from the 2012/13 audits with areas being selected from the following:</p> <ul style="list-style-type: none"> • Authority and Governance. • Risk Management. • Financial Management. • Performance Management. • Human Resources. • Legislation. • Procurement. • Information Governance. • Project Management.

Directorate	Qtr Start	Audit
		<ul style="list-style-type: none"> • Partnerships. <p>The outcome of the audit will form part of the overall assurance for the Service Directors to complete their self assessment as part of the annual governance process.</p>
CBE	3	<p>Governance and Financial Management</p> <p>This is an annual audit to review governance and financial management arrangements in place within the service areas.. The programme of work will be completed over the remainder of the year, and will include testing on compliance with key corporate processes. Testing will follow on from the 2012/13 audits with areas being selected from the following:</p> <ul style="list-style-type: none"> • Authority and Governance. • Risk Management. • Financial Management. • Performance Management. • Human Resources. • Legislation. • Procurement. • Information Governance. • Project Management. • Partnerships. <p>The outcome of the audit will form part of the overall assurance for the Service Directors to complete their self assessment as part of the annual governance process.</p>
RBT	3	<p>Governance and Financial Management</p> <p>This is an annual audit to review governance and financial management arrangements in place within the service area. The programme of work will be completed over the remainder of the year,</p>

Directorate	Qtr Start	Audit
		<p>and will include testing on compliance with key corporate processes. Testing will follow on from the 2012/13 audits with areas being selected from the following:</p> <ul style="list-style-type: none"> • Authority and Governance. • Risk Management. • Financial Management. • Performance Management. • Human Resources. • Legislation. • Procurement. • Information Governance. • Project Management. • Partnerships. <p>The outcome of the audit will form part of the overall assurance for the Service Directors to complete their self assessment as part of the annual governance process.</p>
PPC	3	<p>Governance and Financial Management</p> <p>This is an annual audit to review governance and financial management arrangements in place within the directorate. The programme of work will be completed over the remainder of the year, and will include testing on compliance with key corporate processes. Testing will follow on from the 2012/13 audits with areas being selected from the following:</p> <ul style="list-style-type: none"> • Authority and Governance. • Risk Management. • Financial Management. • Performance Management. • Human Resources.

Directorate	Qtr Start	Audit
		<ul style="list-style-type: none"> • Legislation. • Procurement. • Information Governance. • Project Management. • Partnerships. <p>The outcome of the audit will form part of the overall assurance for the Service Directors to complete their self assessment as part of the annual governance process.</p>
Corporate	3	<p>Governance and Financial Management</p> <p>This element of the governance and financial management audit focuses on the effectiveness of the corporate processes in place. Testing will follow on from the 2012/13 audits with areas being selected from the following:</p> <ul style="list-style-type: none"> • Authority and Governance. • Risk Management. • Financial Management. • Performance Management. • Human Resources. • Legislation. • Procurement. • Information Governance. • Project Management. • Partnerships. <p>The outcome of the audit will be reported accordingly, enabling Service Directors to complete their self assessment as part of the annual governance process.</p>

Appendix 2 Summary of completed audits

MANDEVILLE SCHOOL – LIMITED

An audit of Mandeville School was undertaken following the issue of a notice of concern to the Chair of Governors of the School, dated 10 May 2013. The audit was undertaken during May and June 2013 and focussed on the following areas:

- Governance.
- Financial Management (budget setting and budget monitoring).
- Financial Control.
- Payroll.
- Procurement, contracts and leases.
- Accounts Payable.
- Purchasing Card.
- Imprest.

Our overall conclusion is Limited. The system of internal control is generally weak with poor financial management, and therefore an unacceptable exposure to the risk of poor financial performance. Risks have not been adequately identified and the controls in place do not mitigate the risks to an acceptable level. The controls that are in place are not being monitored effectively.

Although Governing Body and other committee minutes show that discussions are taking place and documents are approved there is a lack of up to date documentation at the School and a lack of effective decision making. The School has not managed the budget deficit effectively and there are weaknesses in budget setting and budget monitoring processes.

There are many instances where the School are not adhering to the Local Management Handbook in regards to contracts and procurement. Purchasing controls are not being fully applied and decisions are made without regard to allocated budget limits and whether value for money is achieved.

The internal governance arrangements are weak, and it would appear the level of scrutiny and financial stewardship by the Governing Body, including the Finance and Premises Committee and the Finance Monitoring Group is not satisfactory; the Schools Financial Value Standard return which has been prepared and reviewed by Governors does not reflect the weaknesses in control identified during the audit. The final report details 62 management actions, of which 35 are classed as high priority.

FAMILIES FIRST

An Internal Audit review of the governance arrangements and data control processes was completed in order to verify and sign off the payment by results grant claim for the government's Troubled Families results-based payments claim. In accordance with the Troubled Families programme, the verification of results based payments should be approved within Internal Audit arrangements and under the authority of the Chief Executive.

The first results-based payment claim, consists of seven families where BCC has evidence of successful interventions, in that each child in the family has had fewer than three fixed exclusions and less than 15% unauthorised absences in the last three school terms, the offending rate for all minors in the family reduced by at least 33% and a 60% reduction in anti-social behavior across the family in the last six months.

Internal Audit has reviewed and confirmed the evidence available for the seven families and can confirm that evidence is available to support successful interventions for these three measures, where relevant.

The original results-based payment claim planned for submission was for thirty-seven families, but during the Internal Audit review a number of issues with incomplete data were identified and we were unable to verify the evidence provided to support the claim. A reduced claim of seven families was therefore submitted and claimed.

ADMISSIONS SERVICE – SUBSTANTIAL

The audit activity focussed on the following key risk areas identified in the processes relating to the School Admissions System:

- School Admissions Policies
- School Admission Application Process
- In-year School Admission Process
- School Admission Appeals

The audit considered the controls in place at the time of the audit only. Where appropriate testing was undertaken using samples of transactions that occurred within the last 12 months.

Our overall conclusion is Substantial. There is a sound system of internal control in which risks are being managed to acceptable levels.

School admission policies are clear and accessible and in accordance with the School Admissions Code and are administered consistently by the School Admission team. Admission policies are applied fairly and equitably, and result in the consistent application of the schools admission criteria. Validation checks completed by the School Admission team on school admission applications are

robust. Issues were noted with the clarity and consistency of school admission appeal information on school offer letters, and the independent administration of exceptional medical or social applications and findings have been raised.

In-year applications and admission criteria are applied consistently, and validation checks completed are robust. A finding has been raised with respect to the inconsistent recording of in-year applications.

There are 3 medium risk management actions arising from this audit.

HEALTH and SAFETY - REASONABLE

The audit activity focussed on the following key risk areas identified in the processes relating to the Health and Safety:

- Corporate Health and Safety Risks
- Corporate Health and Safety Objectives
- Health and Safety Responsibilities
- Incidents/accidents
- Health and Safety Audits
- Corporate Reporting
- HSE Reports

The audit considered the controls in place at the time of the audit only. Where appropriate testing was undertaken using samples of transactions that occurred within the last 12 months.

Our overall conclusion is Reasonable. Most controls are in place to give assurance that the system's key risks will be managed but there are some weaknesses.

Overall, there is a sound Health & Safety (H&S) structure in place, with a framework that identifies the responsibilities of directors, managers and officers, and these are supported by, and link with, the role of the corporate H&S team.

The potentially higher risk H&S areas, e.g. school trips / events, contracted out services, provision of services direct to the public, etc are managed with established procedures and risk assessments. The on-going programme of H&S audits undertaken by the corporate team also provides a continual verification of compliance within schools, establishments and services.

There is an on-going H&S focus within each portfolio / service area, with each having a H&S Committee in place, albeit the effectiveness of these is variable. A number of exceptions in regard to the operation and administration of these was identified within each portfolio and these need to be addressed to ensure compliance with procedures and to help ensure that there is a consistent quality of H&S across all portfolios.

We identified certain areas that need corporate-wide resolutions to address the current variable level of monitoring and management control, e.g. determining the completeness of service risk assessments and H&S e-Learning induction for new starters, monitoring those officer work-station DSE assessments at higher risk and identifying the incident / accident reports not yet 'verified'.

There are five high, 13 medium and 13 low risk management actions arising from this audit.