

AUDIT & RISK MANAGEMENT SERVICE

INTERNAL AUDIT PROGRESS REPORT 2014/15

There are confidential appendices to this Report, which are exempt by virtue of paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 because they contain information relating to the financial or business affairs of any particular person (including the authority holding that information).

Introduction

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

Resources

2. We are currently advertising for a Senior Auditor within the team, and interviews will take place in September. In addition to the internal resource, additional days to assist delivery of the 2014/15 Audit Plan have been procured from Mazars. Their programme of audits is due to commence in September 2014.
3. The audit plan will be reviewed following the outcome of the current recruitment process, as it is likely there will need to be an adjustment resulting from a reduction in the audit days available.
4. An IT Audit needs assessment has been completed and Principal Auditor (ICT) secondment opportunity has been created to lead on IT audit.

Summary of Audit Activity

5. There are no completed audits to report at this stage. In part this is due to issues with resources:
 - A recruitment process in Q1 was unsuccessful.
 - Resources have been prioritised to undertake reactive audit activity, including fraud investigations impacting on the start of planned audits.
 - The implementation of the new action tracking system has taken longer and more resource than expected.
6. The scope of the audit of AFW Payments to Providers has been extended due to initial findings, and includes both residential and domiciliary care providers. It is expected this audit will be concluded in October 2014.

7. The assurance framework on the Future Shape project is currently under development, and will continue throughout 2014/15.
8. The review of the system of assurance to the Chief Finance Officer in relation to financial management in Schools is progressing and should be concluded in October 2014.
9. The Purchase to Pay project is on-going. 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.
10. Verification exercises have been undertaken during Q1 and Q2 to confirm the validity of the Families First payment by results claim.
11. Two accounts audit have also been completed on the Joint Waste Committee Return and the ADEPT Accounts.

Management Actions Implementation

12. The new action tracking system has been implemented, and this is the first reporting from the new system.
13. The summary by Directorate of status of management actions is attached as Appendix 2 to this report.
14. There are two further "confidential" appendices attached detailing the outstanding high and medium priority actions.
15. The following are observations to highlight to the Committee:
 - There are 15 High Priority actions outstanding from the 2013/14 AFW Safeguarding audit. These actions were due between April and June 2014, and although the follow up spreadsheets have been updated with progress, the actions are not due to be completed fully until March 2015.
 - Within CBE, there is one High Priority and three Medium Priority actions that remain outstanding from the 2011/12 Capital Contract Management Iver Village Junior School audit that remain outstanding. All actions have been classed as "in progress" and are due to be completed by March 2015.
 - There is one High Priority action from the 2011/12 Contract Management Transport for Bucks audit. This action was due to be completed by November 2011, but now has a new implementation date of October 2014.

- Within RBT, there are seven High Priority actions outstanding from the 2012/13 and 2013/14 Accounts Receivable audits. These are all now due to be completed by November 2014."

Counter-Fraud update

16. Two bids for "fraud funding" to the DCLG have been made. The first is a joint bid with the District Councils to promote a joined up approach to fighting fraud; the second is a BCC bid for resource to fund proactive reviews of fraud risk and subsequent investigation. The outcome of the bids will be known in October.
17. Work is also underway looking at annual leave not taken last year. We are currently working on cleansing the data based on risk to identify a sample for further investigation.

NFI

18. There is nothing additional to report on the 2012/13 exercise since the previous update. Issues identified through the have been rectified and resolved, ensuring the data on our systems is now up to date, however there have been no other outcomes (such as financial recovery) from the exercise.
19. The 2014/15 exercise is due to commence soon, the services have been informed of the date for data extraction, due October, and the fair processing notices have been issued. The expectation is that the new set of matches will be due out around the end of January 2015.

Completed Investigations

20. The investigation last reported has now been concluded. The issue centred around a Registrars Office, whereby money had been stolen and misappropriated. The sum totalled, just over £4,000, and the issue reported to the Police. The Police prosecuted and the individual was handed a suspended sentence, a supervision order, and ordered to pay £600 compensation.
21. A school reported a cheque fraud had taken place. On reconciling the bank account, they had found the same cheque had been cashed twice for different amounts. The cheque had been intercepted in the post and cloned. The bank are investigating this and the school have been refunded the money, which amounted to almost £2,000.

22. Another school whistleblowing allegation was received, this time relating to the award of redecorating work to an individual relating to a Governor. Whilst the work appeared to have been awarded prior to the correct number of quotes being obtained, it was authorised correctly. This did not warrant further investigation as this is a procedural issue, rather than any attempt at fraud.
23. Working is also underway looking at annual leave not taken last year. A list is being compiled of potential roles where systems could be abused, and the subsequent leave has not been taken by the individual.

Ian Dyson
Chief Internal Auditor
September 2014

APPENDIX 1 Regulatory & Audit Committee 23 September 2014 - Progress against 2014/15 Plan

Directorate	Qtr Start	Audit	Progress as at 12 September 2014 (Bold = complete)
Governance	1	<p>Annual Governance Statement</p> <p>This work will involve collating and 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>	Complete
Governance	2	<p>Governance & Financial Management</p> <p>This audit will focus on reviewing key control processes within the AGS across all service areas, specifically:</p> <ul style="list-style-type: none"> - Performance Monitoring. - Budget Monitoring (incl. General Financial Management and Budget Setting). - Scheme of Delegation (incl. any changes). 	Scoping
Governance	3	<p>Contract Management Application</p> <p>The audit will review the use of the Council's Contract Management Application, including ensuring that the system contains all the Council's contracts, any necessary supporting documentation and is being utilised as an ongoing contract management tool.</p>	Scoping
Governance	2	<p>S. 106 Agreements and CIL's</p> <p>This review will evaluate the Council's processes for contributing to and monitoring S.106 agreements and Community Infrastructure Levy (CIL)</p>	To start

Directorate	Qtr Start	Audit	Progress as at 12 September 2014 (Bold = complete)
		arrangements, including any related financial management implications.	
Governance	3	Business Continuity Planning The audit will review the effectiveness of the Council's Business Continuity Planning, including testing within each service area on the plans adopted.	scoping
RBT	3	Treasury Management This review will focus on the effectiveness of the Council's processes for managing investments and cash flow, its banking, money market and capital market transactions. This includes the effective control of the associated risks and the pursuit of optimum performance consistent with those risks.	To start
RBT	4	Payroll The Payroll process from starter to leaver is managed by HR and the 'Reward' and 'Employee Lifecycle' Teams which are part of the Support Services Centre. Payroll services are also provided by Bucks County Council to external organisations and some academy schools. The audit will review the processes for delivering payroll services to ensure that employees are paid correct amounts on a timely basis.	To start
RBT	3	Pensions This audit will review the Council's processes for managing the Pension Fund, as well as the processes for administering members of the scheme.	To start
RBT	3	General Ledger (incl. interfaces) The audit will review the internal controls in place for managing and monitoring the Council's General Ledger, to ensure they are adequate and effective.	Scoping
RBT	3	Accounts Receivable (incl. Cash Receipting)	To start

Directorate	Qtr Start	Audit	Progress as at 12 September 2014 (Bold = complete)
		This review will focus on the effectiveness of the processes and controls adopted by the Council for administering income due and managing its debts. The audit will also include a review of the Council's cash receipting processes.	
RBT	4	Accounts Payable The audit will review the Council's process for raising orders and paying invoices, to ensure only authorised goods are paid for.	To start
RBT	2	IT Assurance Mapping An exercise which maps the management assurance processes for the key IT systems and controls will be concluded. The output from this will help form a detailed plan of Internal Audit activity during 14/15.	To start
RBT	3	Car Parking This audit will review the Council's process for administering, recording and banking car park income, including the relevant management checks and reconciliations.	To start
RBT	4	Payments to Foster Carers This review will focus on the method for making payments to foster carers, in accordance with approved processes.	To start
RBT	3	Client Charging The audit will provide assurance on the adequacy of the systems and processes in place for administering client charging.	scoping
RBT	3	Feeder Systems	To start

Directorate	Qtr Start	Audit	Progress as at 12 September 2014 (Bold = complete)
		This audit will review the operation and effectiveness of the main feeder systems in place within Council, designed at processing key financial data into SAP.	
RBT	1	<p>Bucks Law Plus</p> <p>Risk assurance review to review, challenge and report on the robustness of the risk management and governance arrangements in place within the project disciplines.</p>	In progress
AFW	1	<p>Direct Payments</p> <p>The audit will consider the results of the special investigation undertaken in 13/14, and will work with the Service Director and teams to review current systems and processes to ensure that the operations provide effective management assurance for both the S151 Officer in respect of the financial system, but also the Service Director in respect of duty of care to service users.</p>	Testing
AFW	1	<p>Payments to Providers</p> <p>The audit will look at the systems and processes for the payments to providers of adult social care services, including residential and domiciliary care.</p>	Testing
AFW	1	<p>Debt Management</p> <p>The audit will look at the systems and processes for the management of client debt, including the management of deferred debt charges. The audit will also review the classification on secure and unsecure debt.</p>	Scoping
AFW	3	<p>Adult Information System Implementation</p> <p>The audit will review the arrangements for implementing the new Adult Information System.</p>	To start

Directorate	Qtr Start	Audit	Progress as at 12 September 2014 (Bold = complete)
AFW	3	<p>Contract Management and Commissioning (Sample of Contracts)</p> <p>The audit will review a sample of contracts and evaluate the effectiveness of the contract management and commissioning arrangements in place.</p>	To start
AFW	3	<p>Safeguarding – Follow Up</p> <p>The audit will review the progress of implementation of management actions following the 2013/14 Internal Audit of AFW Safeguarding (Limited Assurance).</p>	To start
AFW	1	<p>Care Act</p> <p>Risk assurance review to review, challenge and report on the robustness of the risk management and governance arrangements in place within the project disciplines.</p>	In progress
CBE	1	<p>PLACE – Property Contract Process and Procedure</p> <p>This audit will review the contract mobilisation and management arrangements for two recently awarded contracts:</p> <ul style="list-style-type: none"> - Estates and Valuation Service. - Planned and Reactive Maintenance. <p>The audit will also review the procurement process and management control arrangements in place for works over £25k. The audit will focus on reviewing a sample of transactions tracing through the choice of supplier from the standard call off contract list, to payments made and the accuracy of them.</p>	Testing
CBE	1	<p>ADEPT Accounts</p> <p>This work is an audit of the Association of Directors of Environment, Economy,</p>	Draft Report

Directorate	Qtr Start	Audit	Progress as at 12 September 2014 (Bold = complete)
		Planning & Transportation accounts, of which the Strategic Director, Communities and Built Environment, is the Honorary Secretary & Treasurer.	
CBE	1	Joint Waste Committee Return This work is an audit of the Annual Return 2013/14 for the Buckinghamshire Joint Committee on Waste.	Complete
CBE	3	PLACE – TfB Contract The audit will review the effectiveness of the contract monitoring arrangements and payment processes for the Transport for Bucks contract.	To start
CBE	3	PLACE - Planning The audit will review the processes in place for handling planning applications. The audit will also review the relationship with the district council's in supporting their planning process.	To start
CBE	4	Waste Contracts The audit will review the effectiveness of the contract management arrangements for a sample of waste collection contracts.	To start
CYP	2	Schools Financial Management This will be activity on-going throughout the year. The work on reviewing the S151 Officers assurance process on Schools Financial Management is progressing; internal audit will look at key areas being highlighted through that review, which will include reviewing performance with regards to outturns for 13/14, and the budget setting process for 14/15. Testing will also include visiting schools to review the local processes in place.	Ongoing
CYP	1	Families First Grant	Ongoing

Directorate	Qtr Start	Audit	Progress as at 12 September 2014 (Bold = complete)
		This work involves 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.	
CYP	3	6th Form Funding (16 – 19 Year Olds) This audit will involve a review of the accuracy of the Local Authority's 16-19 Grant Return.	To start
CYP	4	16 – 19 Year Olds – Bursary Fund The audit will review the effectiveness of the processes for managing the 16 - 19 Year Olds - Bursary Fund.	To start
CYP	4	AMEY Contract – Follow Up The audit will follow up on the 13/14 "limited" assurance AMEY Contract audit and review progress in actioning any improvements required.	To start
CYP	3	Contract Management and Commissioning (Sample of Contracts) The audit will review a sample of contracts and evaluate the effectiveness of the contract management and commissioning arrangements in place.	To start
CYP	3	School Visit 1 The school audit (TBC) is being undertaken as part of the 2014/15 Internal Audit plan. Testing will focus on the adequacy and effectiveness of the system of internal control that is in place to manage and mitigate financial and non-financial risks.	To start
CYP	4	School Visit 2	To start

Directorate	Qtr Start	Audit	Progress as at 12 September 2014 (Bold = complete)
		The school audit (TBC) is being undertaken as part of the 2014/15 Internal Audit plan. Testing will focus on the adequacy and effectiveness of the system of internal control that is in place to manage and mitigate financial and non-financial risks.	
CYP	4	Dedicated Schools Grant The audit will review the process for allocating the Dedicated Schools Grant. This will include the approval and application of the grant formula and tracing through a sample of transactions to ensure compliance with the formula.	To start
CYP	3	Safeguarding – Follow Up The audit will review the progress of implementation of management actions following the 2013/14 Internal Audit of CYP Safeguarding (Limited Assurance).	To start
CYP	3	SEN – Follow Up The audit will review the progress of implementation of management actions following the 2013/14 Internal Audit of SEN.	To start
Public Health	3	Financial Management This audit will review the overall financial management processes in place within Public Health, including budget monitoring, payments, income collection and debt management.	Scoping
Public Health	4	Contract and Commissioning This review will evaluate the contract monitoring and commissioning arrangements in place within Public Health.	To start

