

AUDIT & RISK MANAGEMENT SERVICE

INTERNAL AUDIT PROGRESS REPORT 2014/15

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. A new full time Senior Auditor joined the team in November. As planned the 170 outsourced audit days from Mazars have been committed and their work commenced during November 2014.
3. It has been necessary to amend the audit plan; the following audits have been deferred to 2015/16:

RBT - Car Parking Income
AFW - Adult Information System
AFW - Contract Management and Commissioning
CBE - Waste Contracts
CYP - 6th Form Funding (16-19 year olds)
CYP - 16-19 Year Olds- Bursary Fund
CYP - Contract Management and Commissioning

The audits have been removed from this year's plan as audit days are no longer available. This is a consequence of spending more days than planned on counter-fraud activity and on AFW Payments to Providers audit.

4. Two additions have been made to the 2014/15 Audit Plan; a financial management review of S256 funding (Better Care Fund) will be undertaken; and, a review of the design and allocation of SAP Roles (access permissions to the SAP system) for the new structures under Future Shape.
5. The IT audit needs assessment has been completed and this will be included in the assurance mapping exercise currently being undertaken with the development of the Business Units and the Operating Framework resulting from the Future Shape Programme.
6. Resources are in place for the revised planned audits to the end of Q4; however there is only limited capacity to contingency remainder of the planned audits We have procured 170 days for BCC audits from Mazars and they are

Summary of Audit Activity

7. There has been one audit completed since the last report. The audit of Treasury Management concluded "substantial" assurance, as there is a strong system of internal control in place and risks are being managed effectively. A summary of the completed audit is attached as appendix 2.
8. The assurance framework on the Future Shape project is currently under development, and will continue throughout 2014/15.
9. The review of the system of assurance to the Chief Finance Officer in relation to financial management in Schools has been delayed following the change in personnel, (the Finance Business Partner). This is on track to be completed by end of March 2015.
10. The Purchase to Pay project is on-going but is progressing slower than expected due to resource constraints, as key members of the project team are involved in several change projects. 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.
11. A review is being undertaken into an award of a contract within AFW that resulted in a reporting of a breach of the Contract Standing Orders to determine any areas for improvement.
12. Verification exercises have been undertaken to confirm the validity of the Families First payment by results claim.
13. Detailed risk assurance reviews have been carried out for the Bucks Law Plus (BLP) and Care Act projects. The BLP report has been presented and discussed at the Risk Management Group (RMG) meeting. The Care Act review will be updated in Q4 and presented to the RMG in March 2015.
14. Preliminary discussions have started with the Managing Directors of the Business Units to plan the Assurance Framework activity to be carried out during Q4. The Chief Internal Auditor and Risk and Insurance Manager are facilitating workshops to support and challenge the Business Units in the design of their control and assurance frameworks under the Future Shape, and will be providing a tool to enable the critical services and activity assurance data to be captured, monitored and reported.

Management Actions Implementation

15. The summary by Directorate of status of management actions is attached as Appendix 3 to this report.

16. There are two further "confidential" appendices attached detailing the outstanding high and medium priority actions.
17. The following are observations to highlight to the Committee:
 - There are 6 High Priority actions outstanding from the 2013/14 AFW of which 3 have exceeded the revised completion dates.
 - There is one High Priority action from the 2011/12 Contract Management Transport for Bucks audit. This action had a revised completion date of October 2014, and has been revised further to 31 January 2015.
 - There are three High Priority actions in CYP relating to the SEN audit in 2012/13 that remain open which have exceeded their revised completion date.

Counter-Fraud update

NFI

18. The 2014/15 exercise has now commenced. All data was successfully uploaded during October 2014 and we are currently awaiting the results of the Audit Commission's matching exercise. The results are expected to be released to us at the end of this month.

Investigations

19. BCC has received an FOI request and complaint regarding a planning decision made by BCC Officers. Testing is currently being undertaken on the planning application looking at the decision making process and the supporting documentation.
20. The investigation at the Registrar's Office has concluded and the intention was to try and recover more of the money owed to the Council through the individual's pension. Unfortunately the Pensions Team have since found out that the individual opted out of the pension fund, as such this route is no longer possible. Management at the Registrar's Office are now seeking alternative ways with Legal to try and recover the money.

21. A whistleblowing allegation received alleging the sharing of personal data, which was originally closed due to a lack of further information/evidence, was reopened after a second case was reported. The issue related to one of the contractors providing the Health Trainer services. It was found that one of their employees was loading false clients on to the system, so as to meet their targets for clients reviewed. BCC had paid for the false clients. Public Health allowed the contractor to carry out the investigation into their employee and gained assurances from the process. The employee was dismissed and the amount due back to BCC is approximately £8,000.

Ian Dyson
Chief Internal Auditor

APPENDIX 1 Regulatory & Audit Committee 28 January 2015 - Progress against 2014/15 Plan

Directorate	Audit	Progress as at 19 January 2015 (Bold = complete)
Governance	<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	<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	<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 on-going contract management tool.</p>	File review
Governance	<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) arrangements, including any related financial management implications.</p>	To start

Directorate	Audit	Progress as at 19 January 2015 (Bold = complete)
Governance	<p>Business Continuity Planning</p> <p>The audit will review the effectiveness of the Council's Business Continuity Planning, including testing within each service area on the plans adopted.</p>	Scoping
RBT	<p>Treasury Management</p> <p>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.</p>	Final Report - Substantial
RBT	<p>Payroll</p> <p>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.</p>	Scoping
RBT	<p>Pensions</p> <p>This audit will review the Council's processes for managing the Pension Fund, as well as the processes for administering members of the scheme.</p>	Draft Report
RBT	<p>General Ledger (incl. interfaces)</p> <p>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.</p>	Testing
RBT	<p>Accounts Receivable (incl. Cash Receipting)</p> <p>This review will focus on the effectiveness of the processes and controls</p>	File review

Directorate	Audit	Progress as at 19 January 2015 (Bold = complete)
	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	<p>Accounts Payable</p> <p>The audit will review the Council's process for raising orders and paying invoices, to ensure only authorised goods are paid for.</p>	Testing
RBT	<p>IT Assurance Mapping</p> <p>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.</p>	To start
RBT	<p>Car Parking</p> <p>This audit will review the Council's process for administering, recording and banking car park income, including the relevant management checks and reconciliations.</p>	Removed
RBT	<p>Payments to Foster Carers</p> <p>This review will focus on the method for making payments to foster carers, in accordance with approved processes.</p>	Scoping
RBT	<p>Client Charging</p> <p>The audit will provide assurance on the adequacy of the systems and processes in place for administering client charging.</p>	To start
RBT	<p>Feeder Systems</p> <p>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.</p>	To start

Directorate	Audit	Progress as at 19 January 2015 (Bold = complete)
AFW	<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>	<p>Part 1 – File review</p> <p>Part 2 – To start</p>
AFW	<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>	Draft Report
AFW	<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>	Testing
AFW	<p>Adult Information System Implementation</p> <p>The audit will review the arrangements for implementing the new Adult Information System.</p>	Removed
AFW	<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>	Removed
AFW	<p>AFW Safeguarding - Follow Up Audit</p> <p>A detailed follow up audit will be undertaken to confirm the status of the management actions agreed during the 2013/14 AFW Safeguarding audit (limited assurance).</p>	Scoping

Directorate	Audit	Progress as at 19 January 2015 (Bold = complete)
CBE	<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>	File review
CBE	<p>ADEPT Accounts</p> <p>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.</p>	Draft Report
CBE	<p>Joint Waste Committee Return</p> <p>This work is an audit of the Annual Return 2013/14 for the Buckinghamshire Joint Committee on Waste.</p>	Complete
CBE	<p>PLACE – TfB Contract</p> <p>The audit will review the effectiveness of the contract monitoring arrangements and payment processes for the Transport for Bucks contract.</p>	Scoping
CBE	<p>PLACE - Planning</p> <p>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</p>	Testing

Directorate	Audit	Progress as at 19 January 2015 (Bold = complete)
	their planning process.	
CBE	<p>Waste Contracts</p> <p>The audit will review the effectiveness of the contract management arrangements for a sample of waste collection contracts.</p>	Removed
CYP	<p>Schools Financial Management</p> <p>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.</p>	<p>On-going</p> <p>Desktop follow up exercises have been completed on four schools (Mandeville, Chiltern Gate, Pebble Brook and Iver Village Junior).</p>
CYP	<p>Families First Grant</p> <p>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.</p>	On-going
CYP	<p>6th Form Funding (16 – 19 Year Olds)</p> <p>This audit will involve a review of the accuracy of the Local Authority's 16-19 Grant Return.</p>	Removed
CYP	<p>16 – 19 Year Olds – Bursary Fund</p> <p>The audit will review the effectiveness of the processes for managing the 16 -</p>	Removed

Directorate	Audit	Progress as at 19 January 2015 (Bold = complete)
	19 Year Olds - Bursary Fund.	
CYP	<p>AMEY Contract – Follow Up</p> <p>The audit will follow up on the 13/14 "limited" assurance AMEY Contract audit and review progress in actioning any improvements required.</p>	Scoping
CYP	<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>	Removed
CYP	<p>School Visit 1 – Disraeli School</p> <p>The school audit (Disraeli School) 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.</p>	To start
CYP	<p>School Visit 2 - The Meadows</p> <p>The school audit 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.</p>	Fieldwork
CYP	<p>Dedicated Schools Grant</p> <p>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.</p>	To start
CYP	<p>CYP Safeguarding – Follow Up Audit</p> <p>A detailed follow up audit will be undertaken to confirm the status of the management actions agreed during the 2013/14 CYP Safeguarding audit</p>	Scoping

Directorate	Audit	Progress as at 19 January 2015 (Bold = complete)
	(limited assurance).	
Public Health	<p>Financial Management</p> <p>This audit will review the overall financial management processes in place within Public Health, including budget monitoring, payments, income collection and debt management.</p>	Scoping
Public Health	<p>Contract and Commissioning</p> <p>This review will evaluate the contract monitoring and commissioning arrangements in place within Public Health.</p>	Scoping

APPENDIX 2 Summary of completed audits

Note for information:

We categorise our management actions according to their level of priority:

High	Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management.
Medium	Significant issue that requires prompt action and improvement by the local manager.

Treasury Management – SUBSTANTIAL

Internal Audit identified that there is a strong system of internal control in place and risks are being effectively managed. Some minor actions may be required to improve control.

Risks are being mitigated to acceptable levels with one Medium Priority action being raised around the formal approval of the Counterparties List. A further three Low Priority actions have been raised and left for the attention of local management to action.

The Medium Priority action relates to the need to update and approve the Counterparties List of institutions in which the Council is permitted to invest funds. Where the Counterparties List is not updated and approved monthly in advance, there is a risk that investments could be made with inappropriate counterparties, which could lead to a financial loss to the Council.

The actions raised during the previous audit, relating to the Business Continuity Plan and Treasury Transactions reconciliations, have been followed as part of our audit work. Both of the actions have been implemented.