

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. There have been unplanned issues with the resources during Q4 including long term sickness affecting both the internal team, and the outsourced audits delivered by Mazars. In addition one of the Mazars team left during Q4.
3. It has been necessary to amend the audit plan; the following audits have been deferred to 2015/16:
 - RBT – Client Charging.
 - CBE – TfB Contract.
 - CYP – AMEY Contract – Follow Up.
 - CYP – Disraeli School.
 - CYP – Dedicated Schools Grant.
 - PH – Contract and Commissioning.

Summary of Audit Activity

4. There have been five audits completed since the last report. A summary of the completed audits are attached as appendix 2.

Service	Audit	Opinion
RBT	Pensions	Reasonable
CYP	Meadows School	Limited
AFW	Safeguarding – Follow Up	Reasonable
AFW	Payments to Providers	Limited
Governance	Contract Management Application	Limited

5. On 1 April, responsibility for the Contract Management Application transferred to the Head of Innovation and Commercialisation within Headquarters. It was agreed that detailed actions in relation to the findings would not be appropriate at this stage, but that the recommendations will form part of the scope for a wider strategic review and changes to the Contract Management Framework / Contract Management Application, to be completed by October 2015.

6. The AFW Payments to Providers audit has been completed but issued as an interim final report. The accuracy of the draft audit report is currently being challenged by the service and as such, Internal Audit has not yet been able to fully agree the content of the report and issue a final version. Senior Management agree with the overall conclusion and have also agreed to work through the issues raised, collating a detailed action plan by June, which will address any weaknesses. It is planned that Internal Audit and Senior Management will report this action plan jointly to the Regulatory & Audit Committee at the June meeting. The summary of key findings from this audit is attached as a confidential appendix to this report.
7. In addition to the completed audits there are a further six audits at draft report stage.
8. In addition to the planned audit activity, the Chief Internal Auditor is also involved in two projects:
 - The Purchase to Pay project is on-going. The "controls" work stream has been delayed and a paper setting out the timetable for progressing is due by the end of April.
 - The review of the system of assurance to the Chief Finance Officer in relation to financial management in Schools is also on-going.

Counter-Fraud Update

NFI

9. The results of the matching exercise have now been released, in total BCC have received 16,502 matches, of which 5,236 are recommended to be looked at. The majority of the matches are against creditor data & payments, blue badges and concessionary travel passes. Key officer checks have been completed and came back with no issues. The creditor matches are already in the process of being worked through, and proposals of how best to efficiently work through the rest of the match sets, to get the best results for BCC, have been drawn up and are due to be discussed with the relevant service areas.

Investigations

10. BCC has received an FOI request and complaint regarding a planning decision made by BCC Officers. A review has been conducted, which identified no evidence of inappropriate activity. A report is due to be issued which has made recommendations to address the process weaknesses and risks.

11. Internal Audit are in conjunction with Managers in CYP, investigating financial irregularity regarding contractor payments that was identified through the internal control process.

Ian Dyson
Chief Internal Auditor
April 2015

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

Directorate	Qtr Start	Audit	Progress as at 19 January 2015 (Bold = complete)
Governance	1	Annual Governance Statement 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.	Complete
Governance	2	Governance & Financial Management This audit will focus on reviewing key control processes within the AGS across all service areas, specifically: <ul style="list-style-type: none"> - Performance Monitoring. - Budget Monitoring (incl. General Financial Management and Budget Setting). - Scheme of Delegation (incl. any changes). 	File review
Governance	3	Contract Management Application 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.	Final Report - LIMITED
Governance	2	S. 106 Agreements and CIL's 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.	Testing

Directorate	Qtr Start	Audit	Progress as at 19 January 2015 (Bold = complete)
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.	Draft Report
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.	Final Report - Substantial
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.	File review
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.	Final Report - Reasonable
RBT	4	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.	File review
RBT	3	Accounts Receivable (incl. Cash Receipting) This review will focus on the effectiveness of the processes and controls	File review

Directorate	Qtr Start	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	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.	File review
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.	Complete
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.	Removed
RBT	3	Payments to Foster Carers This review will focus on the method for making payments to foster carers, in accordance with approved processes.	Exit meeting
RBT	4	Client Charging The audit will provide assurance on the adequacy of the systems and processes in place for administering client charging.	Removed
RBT	3	Feeder Systems 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.	Testing

Directorate	Qtr Start	Audit	Progress as at 19 January 2015 (Bold = complete)
AFW	1	Direct Payments 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.	Part 1 – Draft Report Part 2 – Removed
AFW	1	Payments to Providers The audit will look at the systems and processes for the payments to providers of adult social care services, including residential and domiciliary care.	Final report - LIMITED
AFW	1	Debt Management 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.	File review
AFW	3	Adult Information System Implementation The audit will review the arrangements for implementing the new Adult Information System.	Removed
AFW	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.	Removed
AFW	4	AFW Safeguarding - Follow Up Audit 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).	Final Report - Reasonable

Directorate	Qtr Start	Audit	Progress as at 19 January 2015 (Bold = complete)
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>	File review
CBE	1	<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	1	<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	3	<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>	Removed
CBE	3	<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>	Exit meeting

Directorate	Qtr Start	Audit	Progress as at 19 January 2015 (Bold = complete)
		their planning process.	
CBE	4	Waste Contracts The audit will review the effectiveness of the contract management arrangements for a sample of waste collection contracts.	Removed
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.	Complete Desktop follow up exercises have been completed on four schools (Mandeville, Chiltern Gate, Pebble Brook and Iver Village Junior).
CYP	1	Families First Grant 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.	Complete
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.	Removed
CYP	4	16 – 19 Year Olds – Bursary Fund The audit will review the effectiveness of the processes for managing the 16 -	Removed

Directorate	Qtr Start	Audit	Progress as at 19 January 2015 (Bold = complete)
		19 Year Olds - Bursary Fund.	
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.	Removed
CYP	2	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.	Removed
CYP	3	School Visit 1 – Disraeli School The Disraeli 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.	Removed
CYP	4	School Visit 2 – Meadows School The Meadows 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.	Final Report – Limited
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.	Removed
CYP	4	CYP Safeguarding – Follow Up Audit A detailed follow up audit will be undertaken to confirm the status of the	Testing

Directorate	Qtr Start	Audit	Progress as at 19 January 2015 (Bold = complete)
		management actions agreed during the 2013/14 CYP Safeguarding audit (limited assurance).	
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.	Testing
Public Health	4	Contract and Commissioning This review will evaluate the contract monitoring and commissioning arrangements in place within Public Health.	Removed

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.

Pensions – REASONABLE

Our overall conclusion is reasonable. Internal Audit identified that that whilst there is a basically sound system of internal control design, there is weaknesses in design which may place some of the system objectives at risk. In addition, the level of non-compliance puts the system objectives at risk.

Buckinghamshire County Council (BCC) currently administers the Local Government Pension Scheme (LGPS) for approximately 200 employers, 21,500 active members, 20,500 deferred members and 15,000 pensioners.

The BCC external website contains many documents and guidance to assist scheme members, employers and other interested parties. The Pension Fund Committee meets regularly and receives comprehensive quarterly fund performance reports.

Two High Priority actions have been raised which relate to the updating of new member records, leavers and change in circumstances, as there are currently backlogs in the updating of records.

The Medium Priority actions include the review of the Risk Register which should be presented to the Pension Fund Committee on a quarterly basis. The Pension Fund Governance Compliance statement, Pension Fund Policy Statement and the Pension Fund Consultative Group Terms of Reference also need to be formally reviewed and approved by the Pension Fund Committee.

There is also a need to develop and distribute procedural notes to relevant staff, and formally sign-off the completion of training. The Council has engaged an external Investment Consultant and an independent Pension Fund Committee Adviser. The extension to the Investment Consultant's contract has not been formally renewed whilst the arrangements with the Pension Fund Committee Adviser has continued on the same terms and conditions. The arrangements need to be formalised and documented. It was noted that the contract with the Actuary has also expired, however it was agreed to extend the contract to March 2016 pending the proposed integration and joint administering of the pension fund with two neighbouring authorities.

At the present time, there is no Professional Indemnity Insurance in place in respect of the Pensions and Investment Team to protect the Council against claims. This needs to be resolved with the Insurance Team.

All of the actions raised at the previous Audit have been followed up as part of our work programme. Eight of the twelve actions remain outstanding including the two classified as High Priority.

Meadows School – LIMITED

The Meadows School overall audit opinion is limited. The system of internal control around recruitment, payroll, purchasing card and school voluntary fund is generally weak.

The Governing Body have not submitted the School Financial Value Standard return for 2013/14 or 2014/15 to the Local Authority.

It could not be established that the School has an approved Pay Policy or that the Finance, Personnel and Policies Committee had approved salary increases.

Access controls to the School's Financial Management system need to be tightened. The Purchasing Card is stored and used in a way that could result in a lack of accountability for transactions.

The school voluntary fund was subject to a fraud in 2013 and adequate controls have now been put in place. However the independent audit report of the school voluntary fund has not been presented to the Governing Body in line with Financial Regulations. The school appointed a new Bursar in June 2014 and a new Secretary in September 2014. The Bursar's budget monitoring process is robust and her reports to the Finance, Personnel and Policies Committee are clear and concise. Also the secretary has ensured that since her appointment the retention of HR documents is in line with requirements.

AFW Safeguarding Follow up – REASONABLE

The objective for this follow up audit was to provide an evaluation of the status of implementation of the agreed management actions detailed in the 2013/14 Internal Audit report of AFW Safeguarding. At the time of the original audit report (April 2014) a limited level of assurance conclusion was given as the system of control was found to be weak.

As a result of the detailed follow up work the overall audit opinion is now reasonable. Significant improvements have been made to AFW Safeguarding since the original audit report was issued in April 2014. It should be noted that the scope of the follow up

work was limited to the management actions detailed in the report and was not a full audit of the service.

There is a clear process in place from receiving a safeguarding alert to the completion of an investigation and monitoring of the protection plan. This can be evidenced in the improved quality of the data recording since the new procedure was introduced in October 2014. All alerts come into a central point and it is clear what roles and responsibilities different staff and teams have in a safeguarding case. There is also an improved communication framework between teams although there could be better links in the information that is shared from Mental Health and Out of County.

Implementation of the requirements of the Care Act 2014 are evident in the new safeguarding process and documentation which is a positive development.

There has also been the introduction of the Service User and Carer Forum which provides feedback on the safeguarding process from a service user/carer perspective. This will ensure that there is continuous improvement of the safeguarding process.

The implementation of the Quality Assurance Framework ensures that there is a proper structure for the quality assurance activities and reporting to disseminate lessons learnt and issues arising.

The new SVA Audit programme is now in place and the results are provided to the Senior Management. The Audit checklist which the managers use to complete the audits was recently updated in March 2015. It will therefore take a few months for the trend analysis coming out of the audits to be fully utilised by Senior Management although it should be noted that any issues arising from the audits have been followed up straight away.

There is also now a Supervision Policy in place which clearly sets out the expectations for the frequency and documentation of supervisions and reporting required for non-compliance with the policy.

At the time of the follow-up audit, we found that, of the 26 original high and medium priority management actions, 23 had been fully implemented, two had been partially implemented and one is no longer relevant. The one low priority management action has been implemented. As would be expected a number of the management actions require further embedding, however significant progress has been made to strengthen the control environment. Those actions that have been partially implemented relate to SVA audit results and information on Mental Health and Out of County.

Contract Management Application – LIMITED

The Council currently has no overarching policy or procedures which relate to the CMA. This means that there is no formal guidance / requirements for anybody using the system on what this should include or how it should be used. The audit was also unable to verify the management controls in place to monitor service area compliance in uploading contracts and information onto the CMA.

Our audit testing identified that there were gaps in the system content, specifically:

- Contracts being awarded on the Council's ProContract e-procurement system, but not appearing on the CMA.
- Certain Council top suppliers not having any evidence of a contract on the CMA.
- A lack of a contract value being recorded on the system for each contract.
- The expected mandatory documents not being uploaded (i.e. the contract, business continuity plan and risk assessment).
- Best Practice Self Assessments (BPSA) not being completed for each contract.
- 'Contract Plans' not being completed in each instance.

The system does not currently force users to complete the criticality wizard when creating a contract. This process allocates the contract classification (i.e. Bronze, Silver, Gold or Platinum). The audit also found that there is an override facility in the system that enables users to change the outcome of the wizard assessment. Contract classifications can either be increased or decreased based on the users opinion.

The CMA has capability to produce reports on many aspects of the CMA. However, it was identified that these are in their infancy as it is up to officers of the Council to create these reports and they are not pre built into the system. In November 2014, five directorate reports and one corporate report were produced and presented to the Cabinet in December 2014. These reports identified annual contract values compared to classification (Platinum, Gold, Silver or Bronze), highest value contracts and the number of contracts expiring within 6, 12, 24 and 36 months.