

Regulatory and Audit Committee  
Distribution List

**Contact:** Karen Jones  
**Direct Line:** 01296 383627  
**Email:** [kljones@buckscc.gov.uk](mailto:kljones@buckscc.gov.uk)  
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Dear Member

**Regulatory and Audit Committee Meeting 15 April 2015**

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Yours sincerely

**Karen Jones**  
**Committee Assistant**



INVESTOR IN PEOPLE





**BUCKINGHAMSHIRE COUNTY COUNCIL**  
**BUSINESS ASSURANCE TEAM**  
**INTERNAL AUDIT STRATEGY 2015/16**

Ian Dyson  
Chief Internal Auditor

April 2015

## **INTERNAL AUDIT**

### **STRATEGY 2015/16**

#### **1. Introduction**

- 1.1 This paper details the Internal Audit Strategy, including the resources available and how we will be delivering our service in 2015/16.
- 1.2 The new operating framework for BCC commenced on 1 April 2015, including new structures and governance arrangements. Internal Audit is part of the Business Assurance Team, which also includes; Risk Management, Business Assurance and Strategic Insurance Services. The team operates under the Director of Assurance and is part of Headquarters.
- 1.3 The outline Internal Audit workplan for 2015/16 is attached as appendix 2. The work plan will evolve during the year as the new assurance framework matures.

#### **2. Internal Audit Strategy**

- 2.1 The Accounts and Audit Regulations 2011 (S6) state that the Council needs to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with the proper internal audit practices; these are defined as the Public Sector Internal Auditing Standards 2013.
- 2.2 The Public Sector Internal Auditing Standards defines "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- 2.3 The Chief Internal Auditor is required to provide an annual report on the System of Internal Control which is used to inform the Council's Annual Governance Statement. In providing this opinion we are required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis.
- 2.4 Under its new Operating Framework, the Council is adopting a combined assurance model, with Internal Audit operating as the third line of assurance. The first line of assurance is achieved by the management controls and systems, and the second line of assurance from the professional leads monitoring the key governance systems.

- 2.5 The combined assurance model is an integral part of the Risk and Assurance Strategy. The model will become embedded into the governance reporting process in 2015/16, which will include to the One Council Board and the Regulatory and Audit Committee.
- 2.6 During the final quarter of 2014/15, ongoing into 2015/16, the Chief Internal Auditor and the Business Assurance Manager have been mapping the first line assurance for the key business activities within TEE and Shared Services Business Units; and, have been working with the professional leads on the design of their assurance process for the key governance systems. During 2015/16 this work will extend to include CYP and AFW.
- 2.7 The Internal Audit Plan will evolve during the year as the combined assurance model matures; however a priority in the first quarter is to revise the “Audit Universe”, that is all the auditable areas of risk across the Council’s services, prioritising them according to the key services they support. The main focus of this will be the financial management systems that are now under the control of the Finance Directors within the Business Units.
- 2.8 To provide an opinion on the System of Internal Control, the Chief Internal Auditor will use the work undertaken by the Business Assurance Team:
- The Risk Manager and Business Assurance Officers focus on the system of risk management, and the performance risks within the key services, including the development of new Delivery Units and major projects. It is also the responsibility of this team to co-ordinate the combined assurance reporting which includes monitoring and reviewing the completeness of the management control, (first line of assurance) and the professional lead statements, (second line of assurance).
  - The Internal Audit team reviews the key control processes across the organisation, including those supporting critical service areas. The activity focusses on governance, and internal control, including financial management and fraud risk. As the third line of assurance, it is the role of Internal Audit to consider the adequacy and effectiveness of the first two lines of assurance.
- 2.9 The Business Assurance Team will continue to support the professional leads and Managing Directors in developing their assurance frameworks, by providing advice and guidance.
- 2.10 The Chief Internal Auditor will be undertaking a review of the Counter-fraud arrangements in 2015/16, to consider whether the current methodology and resourcing is adequate and effective. In 2014/15 a countywide bid for fraud funding to support a “Fraud Hub” was unsuccessful; however the opportunity to work more closely with colleagues in the local councils across Buckinghamshire to see if

efficiency can be gained on the BCC counter-fraud arrangements will be explored.

### **3. Audit Planning Methodology**

- 3.1 The Internal Audit Plan will be produced, in consultation with the Business Assurance Manager and with reference to the Strategic Risk Register. The plan is also informed through discussion with the Managing Directors, Finance Directors, Director of Assurance and the Chief Executive. Quarterly meetings with the Directors are scheduled to ensure the plan is kept under continuous review.
- 3.2 The plan will also be reviewed quarterly in conjunction with the combined assurance reports and strategic risk register, and presented to the Regulatory and Audit Committee for consideration and comment.
- 3.3 The Audit Plans will continue to be influenced by external organisations and statutory bodies we work with and provide assurance to.
- 3.4 Counter-fraud remains a responsibility for Internal Audit to lead on, and in 2015/16 this will continue to be focussed on overseeing the investigation of NFI data matches, and responding to referrals of suspected fraud and financial irregularity. The audit planning will include a review of the fraud risks with the Finance Directors.
- 3.5 The audit activity in relation to contracts will focus on the overall management control in particular the development of the Contract Management Application as a key assurance tool, and the key financial processes including procurement of goods and services and payments to providers.

### **4. Resources**

- 4.1 The Chief Internal Auditor operates as a shared resource with Oxfordshire County Council, and over that last three years that arrangements has extended to share internal audit resources. Under the restructuring resulting from the Future Shape Programme and the creation of the Assurance Service, that shared service has been scaled down for 15/16, to just the Chief Internal Auditor, although close working with the Oxfordshire Team and the opportunity to share resources and experience remains.
- 4.2 The Business Assurance Team, including Internal Audit is now resourced predominantly in-house, with two vacancies to be filled; the Risk Manager, and a Senior Auditor position. There is also a small budget available for procuring specialist Internal Audit Services should they be required.
- 4.3 The number of days available for the Business Assurance activity can be broken down as follows:

Chief Internal Auditor	90 days
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Risk Management and Assurance Framework	625 days
<ul style="list-style-type: none"> <li>• Business Assurance Manager 90 days</li> <li>• Risk Manager 120 days</li> <li>• Senior Business Assurance Officer 205 days</li> <li>• Business Assurance Officer 210 days</li> </ul>	
Internal Audit	845 days
<ul style="list-style-type: none"> <li>• Business Assurance Manager 90 days</li> <li>• Senior Auditor (x 4) 675 days</li> <li>• Specialist/contingency 80 days</li> </ul>	

4.2 Overall the total days spent on Business Assurance activity is 1560 days, of which 845 days relate to the third line of assurance activity from Internal Audit.

4.3 As outlined above the audit plan will be developed during Q1 as the combined assurance mapping, and the “audit universe” matures. Attached as appendix 1 to this report are the priority areas currently identified for Internal Audit in 2015/16.

4.4 The 625 days Risk Management and Assurance activity will include the following:

- Business Intelligence Hub Project;
- Review of the Risk Management System;
- Development/embedding and reporting on the assurance framework;
- Risk Management Reporting;
- Review of risk registers for consistency, application, and effectiveness
- Project Risk Assurance - including development of new delivery vehicles.

## 5 Performance Monitoring / Reporting

5.1 The proposed Internal Audit performance indicators for 2015/16 are attached as appendix 1 to this report. The performance indicators for the Risk Management and Business Assurance activity are still to be determined.

5.2 The Regulatory and Audit Committee will receive a quarterly report, including the next quarters plan for approval, a status update on the approved work plans, and a summary of the outcomes of completed audits.

## 6. Recommendation

The Committee are **RECOMMENDED** to approve the Internal Audit Strategy

Ian Dyson

Chief Internal Auditor

April 2015



**APPENDIX 1 Proposed PERFORMANCE INDICATORS 2015/16**

	<b>Performance Measure</b>	<b>Target</b>	<b>Frequency reporting of</b>	<b>Method</b>
1	Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	Quarterly report to R&A Committee.	Internal Audit Performance Monitoring System
2	Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 Days	Quarterly report to R&A Committee.	Internal Audit Performance Monitoring System
3	Elapsed Time between issue of Draft report and issue of Final Report	15 Days	Quarterly report to R&A Committee.	Internal Audit Performance Monitoring System
4	% of planned audit activity completed by 30 April 2016	100%	Quarterly report to R&A Committee.	Internal Audit Performance Monitoring System
5	% of management actions implemented	90% of all management actions	Quarterly report to R&A Committee.	Action Management Tracking System

**APPENDIX 2 – Planned Internal Audit Activity 2015/16**

<b>Area</b>	<b>Activity</b>	<b>Link to Strategic Risk</b>
GENERAL		
	Develop Audit Universe	
	Risk & Assurance 1/4ly Meetings (MDs and Directors)	
	Updates to Action Tracker	
	Reporting to RAC	
	Reporting to OCB	
	Reporting to DoA	
	Strategy & Reporting Developments	
AUDIT ACTIVITY		
HQ	14/15 Annual Governance Statement	
	Counter Fraud/NFI	
	Follow Ups	
	Compliance with Operating Framework	
	Contract Management	
	Assurance Framework	
	IT Audits	
Business Services Plus	Key Financial Systems	Governance Failure
TEE	Financial Management	Increased Financial Pressure

	TfB Contract (incl. Financial Management)	Major contract and/or market failure
	LEP	Governance Failure/Unintentional consequences on partners
CSC & L	BLT Governance	Governance Failure
	Financial Management in Schools	Governance Failure/Adverse Inspections
	DSG	Increased Financial Pressures
	Safeguarding Follow Up	Unintentional consequences on the vulnerable - children
	Safeguarding - Transport	Unintentional consequences on the vulnerable - children
	Financial Management	Increased Financial Pressures
	Families First - Grant Funding	Increased Financial Pressures/Unintentional consequences on the vulnerable - children
CH & ASC	Public Health Contracts & Commissioning	Ability to operate as a commissioning authority/major contract and/or market failure
	Public Health Payments to Providers	Governance failure/Unintentional consequences on the vulnerable - adults/unintentional consequences on partners/increased financial pressures
	Financial Management	Increased financial pressures
	ASC Payments to Providers	Governance failure/Unintentional consequences on the vulnerable - adults/unintentional consequences on partners/increased financial pressures

	Client Charging	Governance failure/Unintentional consequences on the vulnerable - adults/unintentional consequences on partners/increased financial pressures
	Direct Payments	Governance failure/Unintentional consequences on the vulnerable - adults/increased financial pressures
	Better Care Fund	Changes in national policy
	Safeguarding	Unintentional consequences on the vulnerable - children/adverse inspections
Ad Hoc	Investigations	

## 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	<p><b>Annual Governance Statement</b></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>	<b>Complete</b>
Governance	2	<p><b>Governance &amp; Financial Management</b></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"> <li>- Performance Monitoring.</li> <li>- Budget Monitoring (incl. General Financial Management and Budget Setting).</li> <li>- Scheme of Delegation (incl. any changes).</li> </ul>	File review
Governance	3	<p><b>Contract Management Application</b></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>	<b>Final Report - LIMITED</b>
Governance	2	<p><b>S. 106 Agreements and CIL's</b></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>	Testing



Directorate	Qtr Start	Audit	Progress as at 19 January 2015 (Bold = complete)
Governance	3	<p><b>Business Continuity Planning</b></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>	Draft Report
RBT	3	<p><b>Treasury Management</b></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>	<b>Final Report - Substantial</b>
RBT	4	<p><b>Payroll</b></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>	File review
RBT	3	<p><b>Pensions</b></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>	<b>Final Report - Reasonable</b>
RBT	4	<p><b>General Ledger (incl. interfaces)</b></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>	File review
RBT	3	<p><b>Accounts Receivable (incl. Cash Receipting)</b></p> <p>This review will focus on the effectiveness of the processes and controls</p>	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	<b>Accounts Payable</b>  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	<b>IT Assurance Mapping</b>  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.	<b>Complete</b>
RBT	3	<b>Car Parking</b>  This audit will review the Council's process for administering, recording and banking car park income, including the relevant management checks and reconciliations.	<b>Removed</b>
RBT	3	<b>Payments to Foster Carers</b>  This review will focus on the method for making payments to foster carers, in accordance with approved processes.	Exit meeting
RBT	4	<b>Client Charging</b>  The audit will provide assurance on the adequacy of the systems and processes in place for administering client charging.	<b>Removed</b>
RBT	3	<b>Feeder Systems</b>  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	<p><b>Direct Payments</b></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 – Draft Report</p> <p><b>Part 2 – Removed</b></p>
AFW	1	<p><b>Payments to Providers</b></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>	<b>Final report - LIMITED</b>
AFW	1	<p><b>Debt Management</b></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>	File review
AFW	3	<p><b>Adult Information System Implementation</b></p> <p>The audit will review the arrangements for implementing the new Adult Information System.</p>	<b>Removed</b>
AFW	3	<p><b>Contract Management and Commissioning (Sample of Contracts)</b></p> <p>The audit will review a sample of contracts and evaluate the effectiveness of the contract management and commissioning arrangements in place.</p>	<b>Removed</b>
AFW	4	<p><b>AFW Safeguarding - Follow Up Audit</b></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>	<b>Final Report - Reasonable</b>

Directorate	Qtr Start	Audit	Progress as at 19 January 2015 (Bold = complete)
CBE	1	<p><b>PLACE – Property Contract Process and Procedure</b></p> <p>This audit will review the contract mobilisation and management arrangements for two recently awarded contracts:</p> <ul style="list-style-type: none"> <li>- Estates and Valuation Service.</li> <li>- Planned and Reactive Maintenance.</li> </ul> <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><b>ADEPT Accounts</b></p> <p>This work is an audit of the Association of Directors of Environment, Economy, Planning &amp; Transportation accounts, of which the Strategic Director, Communities and Built Environment, is the Honorary Secretary &amp; Treasurer.</p>	Draft Report
CBE	1	<p><b>Joint Waste Committee Return</b></p> <p>This work is an audit of the Annual Return 2013/14 for the Buckinghamshire Joint Committee on Waste.</p>	<b>Complete</b>
CBE	3	<p><b>PLACE – TfB Contract</b></p> <p>The audit will review the effectiveness of the contract monitoring arrangements and payment processes for the Transport for Bucks contract.</p>	<b>Removed</b>
CBE	3	<p><b>PLACE - Planning</b></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	<b>Waste Contracts</b>  The audit will review the effectiveness of the contract management arrangements for a sample of waste collection contracts.	<b>Removed</b>
CYP	2	<b>Schools Financial Management</b>  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.	<b>Complete</b>  Desktop follow up exercises have been completed on four schools (Mandeville, Chiltern Gate, Pebble Brook and Iver Village Junior).
CYP	1	<b>Families First Grant</b>  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.	<b>Complete</b>
CYP	3	<b>6<sup>th</sup> Form Funding (16 – 19 Year Olds)</b>  This audit will involve a review of the accuracy of the Local Authority's 16-19 Grant Return.	<b>Removed</b>
CYP	4	<b>16 – 19 Year Olds – Bursary Fund</b>  The audit will review the effectiveness of the processes for managing the 16 -	<b>Removed</b>

Directorate	Qtr Start	Audit	Progress as at 19 January 2015 (Bold = complete)
		19 Year Olds - Bursary Fund.	
CYP	4	<b>AMEY Contract – Follow Up</b>  The audit will follow up on the 13/14 "limited" assurance AMEY Contract audit and review progress in actioning any improvements required.	<b>Removed</b>
CYP	2	<b>Contract Management and Commissioning (Sample of Contracts)</b>  The audit will review a sample of contracts and evaluate the effectiveness of the contract management and commissioning arrangements in place.	<b>Removed</b>
CYP	3	<b>School Visit 1 – Disraeli School</b>  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.	<b>Removed</b>
CYP	4	<b>School Visit 2 – Meadows School</b>  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.	<b>Final Report – Limited</b>
CYP	4	<b>Dedicated Schools Grant</b>  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.	<b>Removed</b>
CYP	4	<b>CYP Safeguarding – Follow Up Audit</b>  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	<b>Financial Management</b>  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	<b>Contract and Commissioning</b>  This review will evaluate the contract monitoring and commissioning arrangements in place within Public Health.	<b>Removed</b>

## 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.



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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