

Buckinghamshire County Council

Business Assurance Progress Report 2015/16

Regulatory and Audit Committee

February 2016



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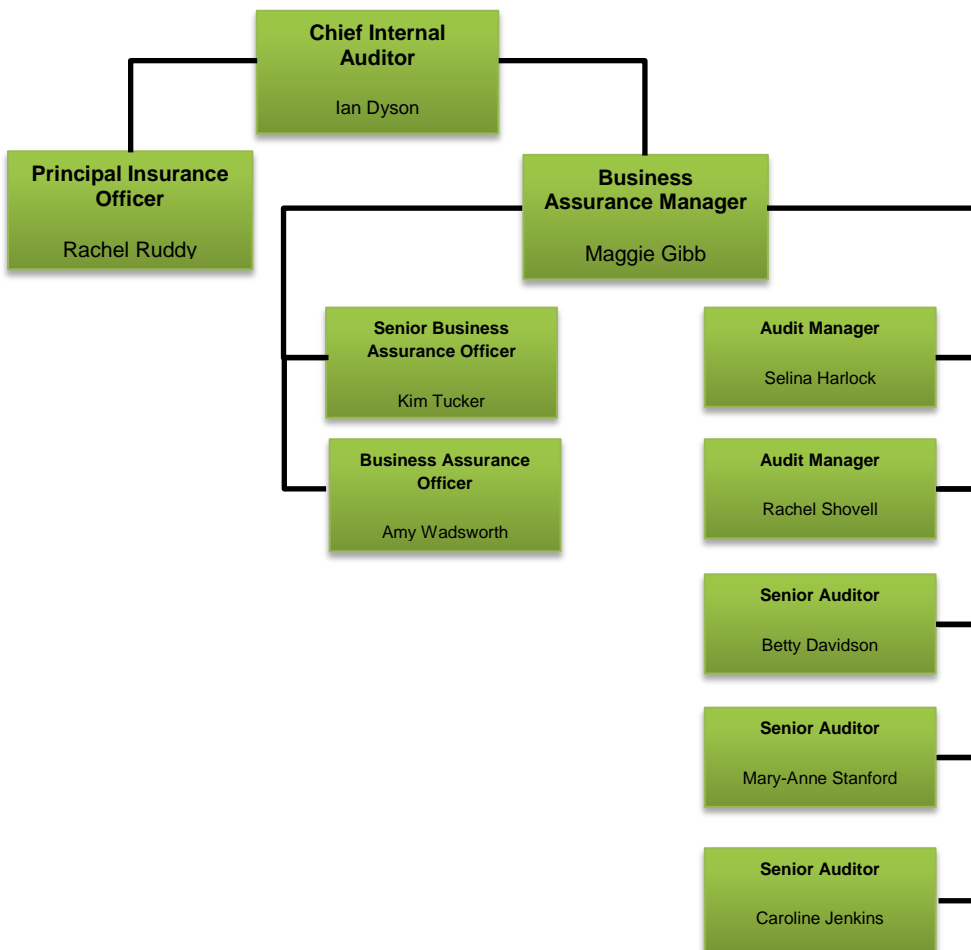
Introduction

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. The Business Assurance Team was subject to a minor restructure at the end of 2015. A new Audit Manager (0.6 FTE) has been appointed and joined the team in January. The Senior Risk Officer left the organisation in December 2015 and this post has been deleted and the risk responsibilities absorbed across the Business Assurance Team.

We currently have a Graduate Placement who will assist with the delivery of the key financial audits in Q4.



Internal Audit

3. There have been two audits completed since the last report, and four that are currently at draft report stage:

Service	Audit	Opinion
CSC&L	<p>Client Transport Safeguarding</p> <ul style="list-style-type: none"> ➤ The audit focused on governance arrangements currently in place in relation to client transport safeguarding, both under the Amey contract and outside of this arrangement. ➤ The audit covered the following key areas: Governance, Reporting, Complaints and Contracts Outside Amey Arrangements. ➤ Three high priority findings were raised for which management have agreed appropriate actions. 	Limited
BSP	<p>General Ledger</p> <ul style="list-style-type: none"> ➤ The audit focused on controls in place in relation to: Risk Management; Policies and Procedures; System Access and Data Security; Financial Information and Reporting; Coding Structure; Feeder Systems; Journals and Internal Transactions; Suspense and Holding Accounts; Bank Reconciliations and Final Accounts. 	Draft Report
CSC&L	<p>Mandeville School – Follow Up Audit</p> <ul style="list-style-type: none"> ➤ The scope of the audit was to review the progress that had been made to implement the management actions raised during the previous audit visit in 2013/14 ➤ The original audit was a Limited opinion and raised 51 management actions (29 High Priority and 22 Medium Priority) ➤ The follow up audit confirmed that 36 of the original 51 actions had been completed (19 High Priority and 17 Medium Priority), and 15 actions had not been completed (10 High Priority and 5 Medium Priority). ➤ The new Head Teacher and the Independent Executive Board have agreed actions to address the outstanding issues. 	N/A (Management Letter)

CSC&L	<p>Commissioning</p> <ul style="list-style-type: none"> ➤ The audit was commissioned following an investigation into residential placements, and focused on confirming of the adequacy and effectiveness of the system of internal controls in place. ➤ The audit covered the following key areas: Selection of Residential Providers, Contracts, Ofsted Judgements, Invoice Payments and Monitoring of Residential Providers. ➤ Seven high priority and one medium priority recommendations raised. 	Final Draft Report (for OCB)
CH&ASC	<p>Payments to Providers – Follow Up Audit</p> <ul style="list-style-type: none"> ➤ The original audit covered the arrangements in place for the payments to providers of adult social services for domiciliary, residential, and nursing care. This audit was reported in Q1 15/16 with a “limited” level of assurance. ➤ The follow-up audit involved interviews with those senior management and those officers responsible for implementing the management actions, a review of supporting documentation as evidence where possible and limited testing of the effectiveness of the controls 	Draft Management Letter
CSC&L	<p>Safeguarding Follow Up Audit</p> <ul style="list-style-type: none"> ➤ Internal Audit’s objective for this follow-up audit is to provide an evaluation of the status of implementation of the agreed management actions as detailed in CSC&L Safeguarding audits 2013/14 and 2014/1 	Draft Management Letter
CSC&L	<p>AMEY Contract – Follow Up Audit</p> <ul style="list-style-type: none"> ➤ The follow-up audit included interviews with senior management and key officers involved in the implementation of the management actions. The scope of the audit was to understand the process that have been implemented and gain comfort over the effectiveness of the controls through limited testing and, review of supporting documentation 	Draft management letter

Note:
BSP – Business Services Plus
CH & ASC – Communities, Health and Adult Social Care
CSC & L – Children Social Care and Learning
TEE – Transport, Environment and Economy

The audits relating to Families First; ADEPT Accounts; Joint Waste Committee and DEFRA Grant are all verification audits, checking the accuracy and completeness of grant claims and statement of accounts. There were no significant issues arising from these audits. A summary of the Client Transport Safeguarding Audit and Mandeville School Follow Up Audit is attached as appendix 2 to this report.

Counter - Fraud

4. There have been a number of irregularities reported to Internal Audit, under the Anti-Fraud and Corruption Strategy that have required investigation and management review. Internal Audit are either involved in the investigation, or overseeing the management activity:
5. Internal Audit received referral from DWP relating to a potential security breach of their Customer Information System by a member of BCC staff. This is currently under investigation by the Business Assurance Team and our findings will be reported back to DWP in due course.
6. Internal Audit has investigated a report of financial irregularity in CSC & L Commissioning following receipt of information from a neighboring authority. We were unable to prove or disprove the allegations made. However, due to the systems and process weaknesses identified it was possible for such an irregularity to occur. An audit report detailing the weaknesses identified has been sent in draft to management for action and will be presented to One Council Board in February.
7. The Monitoring Officer referred a whistleblowing allegation to Internal Audit for investigation within CSC&L regarding decision making and following agreed policies and procedures. The investigation identified a number of weaknesses in the recording of decisions and an action plan has been produced by management to strengthen the process. Progress against the actions will be reviewed by the Monitoring Officer.

8. Internal Audit are, in conjunction with Managers in CSC&L, conducting an investigation into financial irregularity within a specific service area relating to contractor payments. The irregularities were identified by the manager of the service, through their internal check processes. They highlighted weaknesses in the control process which the Manager has taken immediate corrective action to address. The investigation is on-going and is now proceeding as a criminal investigation with Thames Valley Police.
9. Internal Audit are currently working with managers in CHA&SC to consider the fraud risk within the Direct Payments system, and the effectiveness of the controls to mitigate that risk. The work includes reviewing a small number of cases identified by management.

Business Assurance

10. The Business Assurance Manager has been working with the One Council Board (OCB) to review and refresh the Strategic Risk Register. Individual meetings will now be held with each of the Managing Directors to update the scores and action plans ahead of reporting to the next meeting of the Risk Management Group (RMG).
11. The Chief Auditor and Business Assurance Manager attended the HQ Leadership Team to facilitate a workshop relating to compliance with the Operating Framework. The output from the workshop will be collated with the self-assessments carried out within the Business Units for presentation and challenge to each Leadership Team in February. This work is also informing the annual review of the Operating Framework being led by the Head of Members Services.
12. Professional Leads have been identified for each of the key corporate processes detailed within the Operating Framework, and each of the leads are continuing to develop their assurance gathering processes to document how well operations are being carried out across the organisation in line with corporate policies. This provides the 2nd line of assurance. Regular reports on the Professional Leads Assurance Frameworks will be presented to the HQ Leadership Team.

Ian Dyson
Chief Internal Auditor
February 2016

APPENDIX 1 Regulatory & Audit Committee 3 January 2016 - Progress against 2016/17 Plan

Business Unit	Quarter Start	Audit	Progress as at 26 January 2016 (Bold = complete)
HQ	1	<p>Annual Governance Statement</p> <p>This work will involve collating and analysing the self-assessment Annual Governance Statement questionnaires returned from Managing Directors. This will form key evidence for the production of the Annual Governance Statement. The Chief Internal Auditor will also be liaising with the Professional Leads on the key control processes in compiling the AGS.</p>	Complete
HQ	2	<p>Governance & Financial Management</p> <p>This audit will focus on reviewing key control processes within the AGS across HQ, specifically:</p> <ul style="list-style-type: none"> - Performance Monitoring; - Budget Monitoring (incl. General Financial Management and Budget Setting); - Scheme of Financial Delegation (incl. any changes); and - Relationship between HQ and Bus 	Planning
HQ	3	<p>Compliance with Operating Framework</p> <p>The audit will review the compliance with the Council's Operating Framework, including reporting and escalation processes within the BUs and to HQ</p>	In progress
HQ	3	<p>Contract Management Application</p> <p>This audit will follow up on the progress of actions raised in the 2014/15 Internal Audit Report.</p>	Planning
HQ	4	<p>ICT Audits</p> <p>Areas to be confirmed</p>	Planning
BSP	3	<p>Financial Management</p> <p>The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.</p>	In progress
BSP	3	<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 BSP Business Unit. Payroll services are also provided by Bucks County Council to external organisations and some academy schools. The audit will review the processes for delivering</p>	Planning

Business Unit	Quarter Start	Audit	Progress as at 26 January 2016 (Bold = complete)
		payroll services to ensure that employees are paid correct amounts on a timely basis.	
BSP	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.	In progress
BSP	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.	Draft Report
BSP	3	Accounts Receivable (incl. Cash Receipting) 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.	In progress
BSP	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.	In progress
BSP	3	Bucks Law Plus This audit will look at the governance arrangements in place and the effectiveness of key management controls within BLP.	Delayed to 16/17
TEE	1	Joint Waste Committee Return This work is an audit of the Annual Return 2014/15 for the Buckinghamshire Joint Committee on Waste.	Complete
TEE	2	ADEPT Accounts This work is an audit of the Association of Directors of Environment, Economy, Planning & Transportation accounts, of which the Strategic Director, Communities and Built Environment, is the Honorary Secretary & Treasurer.	Complete
TEE	3	TfB Contract This review will focus on the contract management arrangements in place over the TfB contract, including financial management.	Planning
TEE	4	Bucks Local Enterprise Partnership Whilst the Bucks LEP is independent from Buckinghamshire County Council, the S151 Officer has accountability for ensuring there are adequate and effective accounting systems in place. This audit will	Planning

Business Unit	Quarter Start	Audit	Progress as at 26 January 2016 (Bold = complete)
		review the financial systems and procedures, reporting to both the S151 Officer, and the Bucks LEP Board.	
CSC&L	1	Client Transport – Safeguarding This audit covered the governance arrangements currently in place in relation to client transport safeguarding both under the AMEY contract and through other providers.	Complete (draft report)
CSC&L	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
CSC&L	2	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.	Complete (draft report)
CSC&L	2	CYP 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 CYP Safeguarding audit (limited assurance).	Complete (draft report)
CSC&L	2	BLT Governance The audit will focus on the adequacy and effectiveness of the system of internal controls and governance arrangements that are in place at BCC to enable robust management of the service agreement with the BLT; including due diligence over their operations and financial management.	Complete
CSC&L	3	Financial Management The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	Planning
CSC&L	3	Schools S151 Assurance Processes The S151 Officers financial management assurance framework for Schools has been under development, with roles and responsibilities and management reporting being designed and established. This audit will review the effectiveness of the framework.	In progress
CSC&L	4	DSG 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.	Delay to 16/17

Business Unit	Quarter Start	Audit	Progress as at 26 January 2016 (Bold = complete)
CSC&L	2 - 4	School Audits Four school audits will be undertaken as part of the 2015/16 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.	School 1 – fieldwork in progress
CHASC	3	Financial Management The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	Fieldwork in progress
CHASC	3	ASC Payments to Providers – Follow Up Audit A detailed follow up audit will be undertaken to confirm the status of the management actions agreed during the 2014/15 AFW Payments to Providers audit (limited assurance).	Complete (draft report)
CHASC	3	Client Charging The audit will review the system of control designed to ensure that policies, systems and procedures in relation to charging for adult social care services, are being properly applied and maintained, including financial assessments.	Planning
CHASC	4	AFW Safeguarding - Follow Up Audit A further 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).	Planning
CHASC	4	Direct Payments	Planning
CHASC	4	Better Care Fund	Benchmarking exercise in progress
CHASC Public Health	3	Financial Management The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	In progress

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.

CSC & L – CLIENT TRANSPORT SAFEGUARDING

Amey Client Transport is contracted to Buckinghamshire County Council (BCC) to procure and manage the contracts of Transport Providers who work under contract to BCC. Client Transport covers pupils' home to school transport including Special Educational Needs (SEN), other transport required for children in the care of the Local Authority and vulnerable adults requiring transport as required by Adult Social Care.

There is also a need for some client transport arrangements to be placed outside of Amey Client Transport arrangements.

Safeguarding is a high risk and high priority objective for Buckinghamshire County Council.

The audit activity focussed on the following key risk areas identified in the current governance arrangements in place:

1: Governance and Reporting

- BCC does not receive adequate assurance over the vetting, monitoring and overall quality of client transport services commissioned by Amey, on behalf of BCC

2: Complaints

- Complaints regarding transport providers, especially those with a safeguarding concern, are not effectively managed.

At the recommendation and request of Buckinghamshire County Council, Amey commissioned an independent review of client transport. The review was undertaken by a trained Independent Investigating Officer (IIO) and published in December 2014. The audit report highlighted that many areas in relation to safeguarding required improvement including enforcement of safer recruitment, safeguarding training, incident management, contract management and performance management

The overall conclusion for Client Transport Safeguarding is **Limited Assurance**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. There have been four high priority actions agreed with Senior CSC&L Managers. The key issues identified during the audit are:

- Implementation of the recommendations made by the Independent Investigating Officer (IIO) review through the Client Transport Safeguarding Action Plan. Internal Audit are aware that actions have been accelerated and implemented since the audit took place.
- Performance information on safeguarding client transport controls in relation to the taxi contracts is not currently produced and shared.
- Lack of safeguarding controls relating to the client transport arrangements placed outside of the Amey Client Transport provision

The report was presented to One Council Board in December 2015, and their response was as follows:

The One Council Board has considered the final audit report and the service response. The report raises a series of significant issues which need to be addressed as a matter of priority.

In particular, we support the recommendations in relation to:

- *Implementation of the recommendations made by the Independent Investigating Officer (IIO) review through the Client Transport Safeguarding Action Plan.*
- *Safeguarding Controls.*
- *Performance Management Information.*

Additionally, the Board has identified further areas for consideration. These include:

- *That client transport demand is being correctly managed under the Amey contract.*
- *Children and Adult Commissioners to ensure that client transport safeguarding has prominence on the BSCB and BSAB agendas.*

The Board has also reinforce the message that staff should only use emergency transport providers which have been secured through the Amey contract, in order to ensure that safeguarding controls are in place.

The Board agreed to identify appropriate representatives from CH&ASC and CSC&L to take a lead in responding to the issues identified. This will be reported to the Regulatory & Audit Committee through Internal Audit's monitoring of audit management actions.

MANDEVILLE SCHOOL - INTERNAL AUDIT FOLLOW UP

At the request of the school's Interim Executive Board (IEB) a follow up audit was undertaken. The original audit was carried out during May 2013 and this report had a 'Limited' audit opinion with 51 management actions. The scope of this review focused on a follow up of the 51 management actions that were identified in the 2013/14 audit, this involved reviewing evidence to confirm that actions have been fully implemented and included an evaluation of the key financial and governance processes to provide the IEB with the assurance they required.

The Head teacher in post at the time of the original audit retired in August 2013. Since then the School has not had a long term permanent Head teacher until the appointment of a Principal who started in November 2015. Following the retirement of the Head teacher in 2013, the School was supported for the first year by an interim Executive Head teacher from Marlow School and the Buckinghamshire Learning Trust (BLT) who also provided an acting Principal and consultant Vice Principal. In October 2013 Ofsted gave the school an "Inadequate" rating, and the latest published Ofsted monitoring inspection on 14 October 2015 indicates that the School is taking effective action towards the removal of special measures.

Mandeville School has been granted a Licensed Deficit of up to £946,000 for the 2015/16 financial year. At the end of November 2015 the school reported an overspend of £1,069,889.29. In October 2015 the School submitted to the LA a Contingency Funding application for £77,808, this is still to be approved.

Following our visit of the school on 2 December 2015 it is evident that the School has made good progress in implementing the audit management actions, however there are still some actions that have not been completed. Of the original 51 management actions: 36 have been fully implemented and 15 have not been completed. As well as the outstanding audit management actions that need to be implemented, Mandeville School should ensure that the financial duties and delegated authorities of the departing Business Manager are adequately covered until a replacement resource is appointed.

Below is a table summary showing the status of the management actions:

Action Priority	Actions Completed	Actions Not Completed
High	19	10
Medium	17	5
Total	36	15