Appendix A

3.   Progress Report - Internal Audit Work

3.1   Audit Progress

3.1.1   The Annual Audit Plan, approved by the Audit Committee in February 2018, comprised 47 audit reviews. Members will be aware that the plan is subject to revision and amendment at any time should higher priority risks or tasks be identified. Adjustments have been made since the plan was approved (see table below) and the current number of audit reviews is 48.

3.1.2   Current, cumulative progress toward delivery of the 2018/19 audit plan (including audits carried forward from 2017/18, but excluding School Health Checks) is summarised in the table below, with further detail provided in Appendix C.   It should be noted that some of the work undertaken by internal audit does not result in an opinion being provided, such as advisory reviews and grant claims.

Audit Plan Status	Number of Audits / Tasks
Approved Audit Plan 2018/19	47
2017/18 Audit tasks brought forward to 2018/19	1
Audit tasks added to the Plan	4
Audit tasks cancelled	(3)
Audit tasks postponed/deferred to 2019/20	(1)
Total	48
Audits completed	**13**
Final reports issued / completed	8
Draft reports issued	5
In Progress	12
To be Completed	22

3.2 Risk Based Systems and School Audits

3.2.1 The table below details the results of the final reports issued in the first half of 2018/19.

Report	Assurance	Recommendations			
		High	Med	Low	Total
System Audits					
Children with Disabilities	Substantial	0	2	0	2
One Oracle Interfaces (2017/18)	Substantial	0	2	0	2
System Audits Total		**0**	**4**	**0**	**4**
School Audits					
St Patrick's Catholic Primary	Moderate	0	5	2	7
Brady Primary	Moderate	3	1	3	7
Hylands Primary	Moderate	1	6	4	11
Nelmes Primary	Moderate	0	6	3	9
St Ursula's Catholic Primary	Moderate	0	6	6	12
The Learning Federation (Mead & Broadford)	Limited	6	3	1	10
Schools Total		**10**	**27**	**19**	**56**
Q1 & Q2 Audits Total		**10**	**31**	**19**	**60**

Key to Assurance Levels	
Substantial Assurance	There is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.
Moderate Assurance	Whilst there is basically a sound system of control within the areas reviewed, weaknesses were identified and therefore there is a need to enhance controls and/or their application and to improve the arrangements for managing risks.
Limited Assurance	There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

3.2.2 During the first half of 2018/19, one school health check was completed.

3.3 Outstanding Audit Recommendations Update

3.3.1 Internal Audit follows up all audit recommendations with management when the deadlines for implementation are due. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations, in systems where limited assurance was provided, is verified through a follow up audit review.

3.3.2 This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high risk recommendations.

3.3.3 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

High:	Fundamental control requirement needing implementation as soon as possible.
Medium:	Important control that should be implemented
Low:	Pertaining to best practice.

3.3.4 The table below summarises the number of recommendations arising from reports issued in the first half of 2018/19. This table does not include schools, as these are set out below in section 3.4.

System Audit recommendations	High	Med	Low	Total
No. of Recs raised in Q1 & Q2	0	4	0	4
Outstanding Recs brought forward from 2017/18	11	22	8	41
Total	**11**	**26**	**8**	**45**

3.3.5 All of the 11 high risk recommendations were due to be implemented by 30th September 2018 but are currently in the process of being reviewed as part of two follow up audits since the original reviews were given a limited assurance rating. The two audits are: No Recourse to Public Funds and Project and Programme Governance. The outcomes of these follow up reviews will be reported in the next progress report.

3.4 Outstanding School Audit Recommendations Update

3.4.1 The table below summarises the recommendations raised for school audits during the first half of 2018/19:

School Audit Recommendations	High	Medium	Low	Total
No. of Recs raised in Q1 & Q2	10	27	19	56
Outstanding Recs brought forward from 2017/18	2	59	16	77
TOTAL	**12**	**86**	**35**	**133**

3.4.2 Of the 12 high risk recommendations detailed above, three were due to be implemented by 30th September 2019. All three have been implemented.

Appendix B

4. Quarter Four - Counter Fraud Audit Work

4.1 Proactive Counter Fraud Investigations

4.1.1 Proactive work undertaken during the first half of the year is shown below:

Description	Risks	Quarter 4 Status
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance. Eleven requests for advice were received.	Ongoing
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc. Two requests for advice were received.	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately. Nine referrals were received.	Ongoing
FOI Requests	To undertake all freedom of Information Requests. Five FOI requests were received.	Ongoing

4.2 Reactive Investigation Cases

4.2.1 One referral was brought forward from the previous year. The investigation proved there was no case to answer.

4.2.2 During the first half of the year four referrals were received:
- One case has resulted in disciplinary action; and
- Three cases are still being investigated.

Appendix C: Current status of 2018/19 Audit Plan

	AUDIT TITLE	STATUS	OPINION
LBH SYSTEM AUDITS	Children with Disabilities	COMPLETED	SUBSTANTIAL
	Reablement Services	DRAFT REPORT	
	Care Packages	DRAFT REPORT	
	Financial Monitoring of CAD Placements	DRAFT REPORT	
	SEN Transport	DRAFT REPORT	
	Direct Payments	UNDERWAY	
	Homelessness – Homelessness Reduction Act	UNDERWAY	
	IR35	UNDERWAY	
	No Recourse to Public Funds (NRPF) Follow Up (Additional Task)	UNDERWAY	
	Project and Programme Governance Follow Up (Additional Task)	UNDERWAY	
	Right to Buy	UNDERWAY	
ONESOURCE	One Oracle Interfaces (2017/18)	COMPLETED	SUBSTANTIAL
	Financial Controls Phase 1 (forms part of the Key Financial Systems audit allocation)	DRAFT REPORT	
	Financial Controls Assurance Phase 2 (forms part of the Key Financial Systems audit allocation) (Additional Task)	UNDERWAY	
	Pension Fund Governance	UNDERWAY	
	Pension Fund Administration	UNDERWAY	
	Treasury Management	UNDERWAY	
	Cloud Computing (forms part of the ICT audit allocation)	UNDERWAY	
	Virus Protection (forms part of the ICT audit allocation) (Additional Task)	UNDERWAY	
SCHOOLS	St Patrick's Catholic Primary	COMPLETED	MODERATE
	Brady Primary	COMPLETED	MODERATE
	Hylands Primary	COMPLETED	MODERATE
	Nelmes Primary	COMPLETED	MODERATE
	St Ursula's Catholic Primary	COMPLETED	MODERATE
	The Learning Federation (Mead & Broadford)	COMPLETED	LIMITED
	Health Checks (21)	UNDERWAY	1 FINAL REPORT ISSUED

Audit Committee, 27 November 2018

Status of 2018/19 Audit Plan – Audits to be scheduled

	AUDIT TITLE	STATUS
LBH SYSTEM AUDITS	Adoption and Permanency Prescription	Q3
	Housing – Fixed term tenancy agreements	Q3
	Economic Development Programme Review	Q4
	GDPR	Q3
	Social Care Transitions	Q3
	Replacement for SWIFT	Q3
	Private Sector leasing – new payments system	TBC
	Homelessness/Housing – new system	TBC
	General Project Assurance Work	Q4
	Joint Commissioning Unit	TBC
	PMO / Project Management Arrangements	Q4
	Corporate Health and Safety	TBC
	Contract Management	TBC
	Emergency Planning and Business Continuity	TBC
	School Expansion Programme	Move to 2019/20
	Housing and Planning Act 2016	Cancelled
SCHOOLS	James Oglethorpe Primary	Q4
	Parsonage Farm Primary	Q4
	R.J. Mitchell Primary	Q3
	Suttons Primary	Q4
	Scotts Primary	Q4
	Gaynes Language College	Cancelled – Converted to Academy
	Sanders Drapers	Cancelled – Converted to Academy
	Health Checks (20)	Q3/Q4
ONESOURCE	NNDR – Debt Recovery and Write Offs	Q3
	Transactional Services	Q3
	Procurement	Q3/4