

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 43.
- 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 D. 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	7
Audit tasks cancelled	(6)
Audit tasks postponed/deferred to 2019/20	(6)
Total	43
Audits completed	17
Final reports issued / completed	15
Draft reports issued	2
In Progress	13
To be Completed	12

3.2 Risk Based Systems and School Audits

- 3.2.1 The table below details the results of the final reports issued in quarter three. It should be noted that there were no school audits issued during this time.

Report	Assurance	Recommendations			
		High	Med	Low	Total
System Audits					
Financial Monitoring of CAD Placements	Substantial	0	1	0	1
SEN Transport	Substantial	0	1	0	1
Care Packages	Moderate	0	2	0	2
Disabled Facilities Grant – Capital Grant Determination 2017/18	n/a	n/a	n/a	n/a	n/a
System Audits Total		0	4	0	4
Follow Up Audits					
No Recourse to Public Funds (NRPF) Follow Up	Moderate	1*	0	0	1*
Project and Programme Governance Follow Up	Limited	4*	0	0	4*
Follow Up Audits Total		5*	0	0	5*

*The recommendations shown here relate to those raised in the original reports that remain outstanding or in the process of being implemented. See Appendix B for further information.

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.

3.3 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 recommendations raised during 2018/19 up until December 2018:

System Audit recommendations	High	Med	Low	Total
No. of Recs raised in Q3	0	4	0	4
Recommendations brought forward	11	26	8	45
Total	11	30	8	49

3.3.5 As at 30th November all high risk recommendations due had been implemented. The remaining five high risk recommendations are not due to be implemented until quarter four. The detail of these recommendations and their current status are outlined in the table in Appendix B.

3.4 Outstanding School Audit Recommendations Update

3.4.1 The table below summarises the recommendations raised for school audits during 2018/19 up until the end of September. There were no school audits completed during quarter three.

School Audit Recommendations	High	Medium	Low	Total
Recommendations brought forward	9	86	35	130

3.4.2 Of the 9 high risk recommendations detailed above, four were due to be implemented by 30th November 2018. All four have been implemented.

Current status of High Risk Recommendations

Audit	Recommendation	Original management response	Implementation Dates / Current Status including most recent update
Project and Programme Governance	A Programme / Project Governance Framework, that sets out the Councils requirements, dependent on the risk / financial impact of the project, from initiation through to completion should be developed and embedded across the Council. This framework should engage all relevant services to ensure it allows all aspects of projects to comply with the relevant legislative requirements.	The current mandate for the Programme Office was to provide advice and guidance to project managers. A project manager's handbook was developed with examples of best practice and templates, but it is just a guide. The Programme Office are working with colleagues across the council to put together a framework for project governance. This framework will outline the minimum requirements for certain types of project and mandate that all project information is stored in Execview to enable the project progress to be monitored corporately.	<p>Original implementation date: Jan -19</p> <p>On target as part of the development of the PMO's "Project Initiation Process". The process involves a profiling tool which prompts engagement with the necessary governance requirements. Consultation is underway with key stakeholders and the new framework will be presented to SLT in January.</p> <p>On track to implement on time.</p>
	The Programme / Project Governance Framework should set out requirements in relation to the setting up of project boards, including frequency of meetings, adequate composition of board members to ensure boards contain individuals with the required skill set and the need for meetings / decisions to be clearly minuted.	The Programme Office is in the process of reviewing the Governance boards across the council to ensure there is an appropriate structure of meetings to support the organisation. Part of this review has identified projects and programmes that do not currently have a formal project board. The project management framework mentioned in R1 will address the requirements for each project to have a board and will detail the composition of the board and outline terms of reference. It will take time to set up these boards and monitor them to ensure they are operating as expected.	<p>Original implementation date: Feb -19</p> <p>On target as part of the development of the PMO's "Project Initiation Process". Links in with the review of "governance structure" presented to CLT.</p> <p>On track to implement on time.</p>

Project and Programme Governance	A decision in regards to the future direction of the PMO should be made. At the same time, it would be prudent to consider the existing mandate of the PMO and the potential transition from a “light touch” support position to a source of challenge and assurance.	The decision has been made that the Council wants a Programme Office, but only temporary funding has been made available at this point. The permanent funding of the Programme Office will be addressed as part of the COO restructure which is planned for later this year. SLT sees the value a PMO can bring in terms of governance, compliance, escalation of risks and issues and transparency of decision making and prioritisation across the portfolio of projects and programmes. Recently there has been a shift towards a position of challenge and assurance and the Chief Executive has recently supported the Programme Office in a drive to review all projects and programmes and prioritise them based on a number of criteria as part of the Corporate Planning process. The programme office plans to assess the maturity of the organisation in terms of project management capability and agree with SLT an improvement plan to move the council more towards an organisation that values project management methodology and governance and operates within a council-wide framework.	Original implementation date: Feb -19
			The PMO is now to be considered as part of a wider review of commissioning and procurement early in 2019. On track to implement on time.
	All key business areas, such as Finance, Procurement and Democratic Services should feed into a project should be established. This process should provide a robust mechanism for ensuring proposed financial arrangements to fund the project are appropriate prior to submission to Cabinet and that the project considers requirements in relation to key areas such as the Executive Decision making process and procurement.	SLT and CLT have acknowledged the need for Finance, Procurement and Democratic Services to be engaged at the earliest stage of a project. Managers have been instructed to bring colleagues from these areas into discussions at project initiation stage. The Programme Office currently signpost people through the various governance processes that exist, E.g. completion of funding templates to obtain project funding, procurement checkpoint, executive decisions to obtain approval to act in certain circumstances etc. Work has already started to pull together these separate processes into a project initiation flowchart, initially identifying all the processes, with the aim of consolidating and eliminating processes where possible to streamline bureaucratic processes and cut duplication. There is a need for proportionate governance and working in an agile way to encourage innovation, this has to be balanced with risk, cost and impact to determine the level of governance required and this will be addressed within the framework referenced in R1 above.	Original implementation date: Feb -19
			On target as part of the development of the PMO’s “Project Initiation Process”. Consultation is underway with key stakeholders and the new framework will be presented to SLT in January. On track to implement on time.

No Recourse to Public Funds (NRPF)	The process for assessing, recording and managing NRPF cases should be established and documented. This process should clearly define responsibilities regarding ownership and oversight of NRPF. Documented policies and procedures should be produced to support the process and staff training should be provided where necessary.	Processes and policies will be reviewed by Assistant Director – Robert South and HOS Jane Carroll. Through this a key person will be identified for children's services to become the single point of contact for NRPF	Original implementation date: Aug - 18
			Partially Implemented. The Transformation team are undertaking a project to review the system and to identify where NRPF should sit (Children's Services or Housing) and from there a key person will be identified to become the single point of contact for NRPF. Policy and procedures are in place and staff training has been undertaken. Revised Implementation Date: Mar - 19

4. Quarter Three - Counter Fraud Audit Work

4.1 Proactive Counter Fraud Investigations

4.1.1 Proactive work undertaken during quarter three is shown below:

Description	Risks	Quarter 3 Status
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance. No requests for advice were received.	Ongoing
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc. One request for advice was received.	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately. Four referrals were received.	Ongoing
FOI Requests	To undertake all freedom of Information Requests. No FOI requests were received.	Ongoing
National Fraud Initiative Data Upload	To co-ordinate the data upload for the 2018/19 NFI. The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and is conducted every two years. All datasets have been uploaded in accordance with NFI Guidance.	Complete

4.2 Reactive Investigation Cases

4.2.1 Three referrals were brought forward from the previous quarter.

- Two referrals resulted in disciplinary action; and
- One referral is awaiting management decision.

4.2.2 During quarter three six referrals were received:

- Four referrals are still being investigated;
- One referral has been referred to Trading Standards; and
- One referral there was no case to answer.

Current status of 2018/19 Audit Plan

	AUDIT TITLE	STATUS	OPINION
LBH SYSTEM AUDITS	Children with Disabilities	COMPLETED	SUBSTANTIAL
	Financial Monitoring of CAD Placements	COMPLETED	SUBSTANTIAL
	SEN Transport	COMPLETED	SUBSTANTIAL
	Care Packages	COMPLETED	MODERATE
	No Recourse to Public Funds (NRPF) Follow Up (Additional Task)	COMPLETED	MODERATE
	Project and Programme Governance Follow Up (Additional Task)	COMPLETED	LIMITED
	Disabled Facilities Grant – Capital Grant Determination 2017/18 (Additional Task)	COMPLETED	N/A
	Reablement Services	DRAFT REPORT	
	Disabled Facilities Grant (Additional Task)	UNDERWAY	
	IR35	UNDERWAY	
	Direct Payments	UNDERWAY	
	Right to Buy	UNDERWAY	
	Replacement for SWIFT	UNDERWAY	
	Troubled Families (Additional Task)	UNDERWAY	
ONESOURCE	One Oracle Interfaces (2017/18)	COMPLETED	SUBSTANTIAL
	Financial Controls Phase 1 (forms part of the Key Financial Systems audit allocation)	COMPLETED	N/A
	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	
	Procurement	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
	R.J. Mitchell Primary	DRAFT REPORT	
	Health Checks (21)	UNDERWAY	X3 FINAL REPORTS ISSUED

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

	AUDIT TITLE	STATUS
LBH SYSTEM AUDITS	GDPR	Q4
	Economic Development Programme Review	Q4
	Private Sector leasing – new payments system	Q4
	Homelessness/Housing – new system	Q4
	Joint Commissioning Unit	Q4
	General Project Assurance Work	Q4
	PMO / Project Management Arrangements	Q4
	Housing – Fixed term tenancy agreements	Move to 2019/20
	Corporate Health and Safety	Move to 2019/20
	Contract Management	Move to 2019/20
	Emergency Planning and Business Continuity	Move to 2019/20
	School Expansion Programme	Move to 2019/20
	Social Care Transitions	Move to 2019/20
	Housing and Planning Act 2016	Cancelled
	Homelessness – Homelessness Reduction Act	Cancelled
	Adoption and Permanency Prescription	Cancelled
SCHOOLS	James Oglethorpe Primary	Q4
	Parsonage Farm Primary	Q4
	Suttons Primary	Q4
	Scotts Primary	Q4
	Gaynes Language College	Cancelled – Converted to Academy
	Sanders Drapers	Cancelled – Converted to Academy
	Health Checks (18)	Q4
ONESOURCE	NNDR – Debt Recovery and Write Offs - Now forms part of the Financial Controls Assurance Work	Cancelled
	Transactional Services	Q4