

Appendix A – Progress Report - Internal Audit Work

1. Audit Progress

- 1.1 The Annual Audit Plan, approved by the Audit Committee in April 2019, comprised 700 audit days. The plan was developed using a thematic approach, in line with the Corporate Plan priorities for 2019/20 with time allocated under each theme to carry out risk identification and service mapping. Members are reminded that the 2019/20 audit plan was presented as a flexible plan, subject to review through the year to ensure that emerging risks are covered. Adjustments to the plan are made to allow for changes in the risk and operational environment in which the Council operates. These changes are outlined in Appendix C.
- 1.2 Current, cumulative progress toward delivery of the 2019/20 audit plan (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
Final reports issued / Reviews Completed	3
Draft reports issued	6
In Progress	7

2. Risk Based Systems and School Audits

The table below details the results of the final reports issued from the 1st April to 31st August 2019. A summary of the Limited Assurance report and the recommendations raised is detailed in section 3.

Report	Assurance	Recommendations			
		High	Med	Advisory	Total
System Audits					
Payroll	Limited	3	3	0	6
Virus Protection	Moderate	0	6	0	6
System Audits Total		3	9	0	12
School Audits					
Suttons Primary	Moderate	0	3	0	3
School Audits Total		0	3	0	3
Total		0	6	0	9

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. Limited Assurance Report - Payroll

- 3.1 The self-service model operated by both Councils places reliance on managers to ensure controls are applied as Payroll process requests received on the assumption that controls have been applied internally within the business. This review identified that responsibility for the application of controls has not been clearly communicated. A high priority recommendation has been raised to strengthen the control environment by communicating to Payroll customers their responsibilities in relation to the need to validate and approve payroll requests prior to submission.
- 3.2 The review also found that requests to Payroll are not consistently submitted through formal channels, where automated controls ensure only appropriate managers can submit requests, ensuring visibility of requests through the relevant management chain. A high priority recommendation has been raised to address this issue and ensure all appropriate requests are submitted via an approved route.
- 3.3 Exception reports are available within the Oracle system, but are not being produced and distributed. A high priority recommendation has been raised requesting the introduction of exception reporting and distribution to Managers to support them in the adhering to the self-service model.
- 3.4 Examples were identified during this review where managers have not complied with payroll deadlines, resulting in continued payment of salary to both employees and ex-employees and a need for a debtor account to be raised in order to recover the overpayment. A medium priority recommendation has been raised to increase the fees charged where non-compliance leads to the instigation of a debtors process in order to cover overpayments to ensure that the cost of this process is passed on to Managers.
- 3.5 Access to the payroll module within Oracle is restricted to only users that have been approved. Historically regular checks were not undertaken to monitor access to the system. Checks were due to be implemented around the time of the audit. However, these checks would focus on unauthorised use of the system but would not identify users no longer requiring access to the system. A medium priority recommendation has been raised as part of the review to ensure that appropriate checks are undertaken on the suitability of users.

4. Audit Recommendations Update and status of High Risk Recommendations

- 4.1 Internal Audit follows up all high and medium risk 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.
- 4.2 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.
- 4.3 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.
Advisories	Pertaining to best practice.

- 4.4 All high risk recommendations (including schools) due as at 31st August have been confirmed as implemented.

Appendix B

1. Counter Fraud Audit Work – 01/04/19 to 31/08/19

1.1 Proactive Counter Fraud Investigations

1.1.1 Proactive work undertaken during 01/04/19 to 31/08/19 is shown below:

Description	Risks	Status
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance. Fourteen requests for advice were received.	Ongoing
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc. No requests for advice were received.	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately. Five referrals were received.	Ongoing
FOI Requests	To undertake all freedom of Information Requests. One FOI requests were received.	Ongoing
National Fraud Initiative Data Upload	<p>The 2018/19 NFI data has been downloaded and is ready for distribution to services for investigation.</p> <p>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.</p>	Ongoing

1.2 Reactive Investigation Cases

1.2.1 Three referrals were brought forward from the previous year.

- Two referrals there was no case to answer; and
- One referral has resulted in criminal investigation.

1.2.2 During 01/04/19 to 31/08/19 seven referrals were received:

- Four referrals are still being investigated;
- One referral there was no case to answer;
- One referral resulted in Standard Setting; and
- One referral resulted in a contract being terminated.

Audit Committee, 23 October 2019

Appendix C: Current status of 2019/20 Audit Plan

Audit Title	Status	Opinion
LBH Systems Audits		
Payroll – Transactional Services	Completed	Limited
Financial Controls Assurance	Draft Report	
Procurement	Underway	
Cloud Computing (forms part of the ICT audit allocation)	Draft Report	
Virus Protection (forms part of the ICT audit allocation)	Completed	Moderate
Purchase Card - Transactional Services	Draft Report	
Right to Buy	Draft Report	
School Expansion Programme	Draft Report	
Corporate Governance and Decision Making	Underway	
Key Financial Audits – Compliance Work	Underway	
Private Sector Leasing	Underway	
Pension Fund Governance	Cancelled – Assurances from external reviews (The Pensions Regulator and Hymans)	
Treasury Management	Underway	
Corporate Health and Safety	Q3	
Delivery of the Corporate Plan	Q4	
Emergency Planning & Business Continuity	Underway	
Licensing Schemes	Q3	
Safeguarding Adults	Q3/4	
Social Care Transitions	Q3/4	
Regeneration – Contract Management	Q4	
Economic Development Programme Review	Q3	
General Project Assurance	Q4	
Performance monitoring – Leisure Centres	Q3	
Post Implementation Review - Liquid Logic Children's & Adults	Q4	
Fixed Term Tenancies – Housing	Q3	
Contract Management	Q3/4	
Direct Payments – Follow Up	Q3	
Shared Service Audits		
Oracle upgrade	Underway	
ICT (Work arising from ICT needs assessment / risk work)	TBC	
LBH Schools		
Suttons Primary	Completed	Moderate
Newtons Primary	Draft Report	
St Ursula's Junior	All remaining school audits booked in for dates during Q3 and Q4.	
St. Joseph's CP		
Whybridge Infant		
Learning Federation Broadford/Mead		
Parklands Infant		
Langtons Infant		
Hilldene Primary		
Crowlands Primary		
Mawney Foundation		
Harold Wood Primary		
La Salette Catholic Primary		
Health Checks (21)	2 Completed	