



**TO:** Audit & Governance Committee

**FROM:** Head of Audit & Assurance

**DATE:** 13 June 2017

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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**TITLE OF REPORT:** Audit & Assurance - Progress and Outcomes to 31 May 2017

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**1. PURPOSE**

To inform Members of the achievements and progress made by Audit & Assurance in the period from 1 March to 31 May 2017.

**2. RECOMMENDATIONS**

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 31 May 2017 against the Audit & Assurance Plan, which was approved by Committee on 11 April 2017.

**3. BACKGROUND**

The internal audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS).

The PSIAS require the Head of Internal Audit to communicate any significant governance, risk management and control issues identified to the Audit Committee during the year. This Progress and Outcomes report complies with the requirements of the PSIAS by communicating any significant issues that have been identified during the year.

**4. RATIONALE**

The Council is required under the Accounts and Audit (England) Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes, taking into account public sector internal audit standards (PSIASs).

The work undertaken throughout the year is intended to ensure that:

- at the year end, an objective and independent opinion can be provided that meets the statutory governance requirements;
- it also demonstrates the effectiveness of the internal audit function; and
- throughout the year, support is provided to Members, Directors and managers in their particular areas of responsibility.

## 5. KEY ISSUES

Outcomes achieved in the year thus far:

### Risk and Corporate Governance

#### Director Exception/Dashboard Report and Assurance Statement Half-Year Update

The table below lists the eight “red” priority areas of concern across the departments, by key themes, identified in the summary Director Exception/Dashboard Report and Assurance Statements for the year end 31 March 2017. In summary, five areas of concern previously identified as “red” have been downgraded this period to “amber” or “green” rating. Two new “red” priority areas have been identified where these appeared for the first time or were escalated from amber or green ratings.

			2016/17	2016/17
Themes	No	Description	Quarter 4	Quarter 2
<b>Demand Management</b>	1	Deliver statutory requirements under Deprivation of Liberty (DoLS) (Adults)	Red	Amber
	2.	Deprivation of Liberty Safeguards and Children’s Service Care Orders & Public Law Outline (HR, Legal & Corporate)	Red	Red
		Service Users Classified as Not in Education, Employment or Training (NEET) (Education)	Amber <sup>1</sup>	Red
	3	Failure to recruit long term foster carers, Asian heritage foster carers and carers for older and more challenging young people increasing demand led services, in particular commissioned out of borough. (Children’s)	Red	Amber
	4.	Social Worker Workloads (Children’s)	Red	Red
		Failure to Complete Education, Health & Care Plans within Statutory Timescales (Education)	Amber <sup>2</sup>	Red
<b>Budgets &amp; Finance</b>	5.	Budget Pressures – Adult Social Care Commissioning (Adults)	Red	Red
	6.	Family Court Decisions Placing Increased Financial Burden On Permanence Planning (Children’s)	Red	Red
<b>Staffing/HR</b>	7.	Sickness Absence (Corporate)	Red	Red
	8.	Maintain Number of Approved Adopters (Children’s)	Red	Red
		Failure to Implement Transforming Lives Prevention Work Following Workforce Review (Localities & Prevention)	Green <sup>3</sup>	Red

			2016/17	2015/16
Themes	No	Description	Quarter 2	Quarter 4
<b>Capital Works</b>		Pennine Reach Programme (Growth & Prosperity)	Green <sup>4</sup>	Red
<b>Governance &amp; Compliance</b>		Failure To Develop, Monitor & Implement Public Health Contracts & Quality Framework (Public Health)	Amber <sup>5</sup>	Red

### Internal Audit

A summary of the 5 audits completed and finalised since the last report to Committee are detailed below.

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations
	Environment	Compliance	Agreed
Efficiency Partner	Adequate	Adequate	6
Highways	Limited	Limited	15
CCTV - Pennine Lancashire Provision	Adequate	Adequate	8
St Anne's RC Primary	Limited	Limited	30
Strategic Funding and Bidding Protocol	Adequate	No	4
Police & Crime Panel Grant Verification	Substantial	Limited	3

We have provided a brief commentary on the four audit assignments where we have provided a limited or no assurance opinion.

**Highways:** review considered the controls in place to ensure that the Council's highways network is maintained to a reasonable standard. The final report provided a **limited assurance** opinion for both the control environment in place and compliance with the controls identified. In particular the following weaknesses were identified at the time of the audit:

- The Highways Inspection Procedure was out of date, having not been reviewed since January 2014.
- Cost estimates and actual expenditure for defect repairs could not be readily identified by the EXOR system resulting in ineffective cost management and budget monitoring of reactive maintenance work.
- Testing of a sample of 70 defects identified that 41% had not been repaired within the required timeframe.
- There was no evidence that the charging basis for repair works, including the hourly rate for staffing costs and the proportion of overheads included had been reviewed or agreed by management or Finance.
- Testing of Planned Works showed that the inaccurate estimation of contractor's fees for resurfacing works had led to an overspend in 8/10 cases reviewed.
- Budget monitoring arrangements with both Finance and the Portfolio

Executive Member needed to be improved.

- An action plan to ensure that the Council maximises Department for Transport incentive funding had not been agreed or communicated to relevant staff.

**St Anne's RC Primary School:** The final report provided a limited assurance opinion for both the control environment and compliance with controls identified. We made 30 recommendations to strengthen arrangements in place across eight of the eleven areas covered during the visit. This included 11 'must' level recommendations. There were issues found within the following areas:

- Management Structure (6 recommendations);
- Policies/Transparencies agenda (1 recommendation);
- Budgetary Control (4 recommendations);
- Expenditure Control (6 recommendations);
- Petty Cash (3 recommendations);
- Asset Control (5 recommendations);
- Access Rights (4 recommendations);
- Cheque Production (1 recommendation).

**Strategic Funding and Bidding Protocol:** The objective of the review was to ensure that the procurement of external funding was co-ordinated, effective and met the Council's strategic priorities. No assurance was able to be provided for compliance with the controls as the External Funding Strategy and the External Bidding Protocol have not been adhered to by departments.

**Police & Crime Panel Grant Verification:** The audit objective was to ensure that the Home Office grant funding conditions had been fully complied with. The reason for the limited compliance opinion being reached was due to management being unable to substantiate all the expenditure claimed.

In addition we have completed appropriate work to certify the Historic England grant funding claim for the year ended 31 March 2017 and confirmed that the funding was fully and solely expended for the agreed purpose.

During the period Audit & Assurance have also provided support to the Primary Assurance Group, consisting of the Deputy Chief Executive, Section 151 and Monitoring Officers and the Chair of Audit & Governance Committee, to co-ordinate and prepare the Annual Governance Statement.

#### **Current internal audit reviews**

In addition to the above completed audits, the following reviews are ongoing:

- Adult Services Client Case Management System (Mosaic).
- St Thomas CE Primary School.
- Private Care Homes Contract Payments.
- Prosecution Process.
- Budgetary Control.
- Cyber Risk.
- HR & Payroll VFM.

- Payroll Core System.
- Debtors.
- Housing Growth.
- Project Management/Capital Schemes Management.

### **Internal Audit Performance**

The Departmental Business Plan includes seven targets to achieve our strategic aims. The defined targets and actual performance for the latest period and the previous period are as follows:

<b>Performance Measure</b>	<b>Target</b>	<b>Q4 2016/17</b>	<b>Q3 2016/17</b>
1. Delivery of Priority 1 Audits (Annual)	100%	<b>83%</b>	N/A
2. Planned Audits Completed Within Budget	90%	<b>83%</b>	<b>75%</b>
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	93%	100%
5. Recommendations Implemented	90%	90%	<b>89%</b>
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	99%	N/A

We have provided a brief commentary on the measures where performance (Q4, 2016/17) has fallen below the agreed target:

#### 1. Delivery of Priority 1 Audits

The 2016/17 Audit & Assurance Plan included six Priority 1 audit assignments, of which five (83%) have been delivered in 2016/17 or were in progress at the year end. The only Priority 1 audit assignment not completed relates to the IT Infrastructure (Resilience). The time allocated to this area was used to provide support to the Zurich Municipal Information Governance Health Check. That review included consideration of IT technology and Infrastructure.

#### 2. Planned Assignments Completed Within Budget

One of the six audits (17%) was completed over budget. The Police & Crime Panel audit required extra time as this was the first review of this area and additional time was required due to the liaison with managers regarding the details of the expenditure included in the claim.

#### 4. Follow Ups Undertaken within Deadline

We have received responses to 14 of the 15 audits (93%) requiring follow up by 31 May. We did not receive a response to follow up regarding the report on Compliance with Health & Safety legislation at Davyfield Road. There were no recommendations contained in this report. In addition a response was outstanding in respect of one recommendation relating to the Social Media review. This was a 'should' graded action.

#### 5. Recommendations Implemented

Of the follow up responses received we were able to identify that 91 (76%) of the 120 recommendations due for implementation on or before 31 May 2017 had been fully implemented and 17 (14%) partially implemented.

- Section 17 Payments – 12 recommendations; seven fully and three partially

implemented, two not yet done. No 'must' recommendations

- Service Desk Performance – seven recommendations; two fully and two partially implemented. Three not yet done. No 'must' recommendations.
- Planning Performance Improvement – six recommendations; five completed, one not yet implemented. No 'must' recommendations.
- Longshaw Nursery – 17 recommendations, 16 implemented one outstanding. No 'must' recommendations.

**6. POLICY IMPLICATIONS**

This delivery of the Plan leads to the Annual Internal Audit Opinion Report and this, in turn, contributes directly to the Annual Governance Statement.

**7. FINANCIAL IMPLICATIONS**

There are no financial implications arising as a result of this report.

**8. LEGAL IMPLICATIONS**

There are no legal implications arising as a result of this report.

**9. RESOURCE IMPLICATIONS**

There are no resource implications arising as a result of this report.

**10. EQUALITY & HEALTH IMPLICATIONS**

There are no equality or health implications arising as a result of this report.

**11. CONSULTATIONS**

Directors

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Date: 2 June 2017  
Background Papers: Audit & Assurance Plan 2017/18, approved by Audit Committee on 11 April 2017.