Internal Audit Progress Report

Update to the Finance, Audit and Performance Committee on Internal Audit Activity

October 2015

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Distribution list	Finance Audit and Performance Committee, Joint Boards
Background and scope	The purpose of this report is to provide a progress update on the agreed 2015/16 internal audit plan.

Plan outturn

2015/16 Audit Plan

During the first few months of the new internal audit contract the internal auditors have been engaging with senior officers at the Council to build on their knowledge and understanding of the council and its operations. In addition work has been undertaken to plan and scope some reviews and internal audit has attended a number of meetings at the council such as CDMT, Project Forum and Service Managers meetings. Internal audit has also conducted a training session for members of the Finance Audit and Performance Committee in conjunction with the council's external auditor.

As the Council's external audit for 2014/2015 has now been concluded, PwC has taken on the provision of the Internal Audit service. Richard Bacon, a partner of PwC will assume the role of the Council's Head of Internal Audit and operationally Chris Dickens will lead the service supported by Kate Mulhearn, Susannah Leask and other resources as required.

Since the previous progress report submitted by the Interim Head of Internal Audit, a report on Project Management has been completed and a draft report issued. We hope to have finalised the report by the time of the FAP meeting. Details of this and other activity are shown later in the report.

We have also engaged with the Council's new external audit provider (Ernst & Young) and discussed how we will work together to provide the appropriate assurance to the Council and to avoid any duplication. We have also met with the Interim Chief Financial Officer.

A statement tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 22 days (19%) of the planned audit days. Work will increase in the next few months and internal audit will continue to keep members informed of progress.

Activity and Progress

This section will provide a summary of all final reports issued since the previous Committee meeting.

Ref	*Name of audit*	*Conclusion*	*Date final report issued*	*No of recommendations made*			
				Critical	High	Medium	Low
01/16	Project Management	Moderate Assurance*	Draft at this stage	0	0	1	4

We summarise the main findings from these reports below:

01/16 Project Management * At the time of writing this update, the report had been issued in draft and management responses were being drafted. If there is any change to the overall rating or the individual findings this will be communicated at the meeting.

The Council has a wide variety of projects that are currently being monitored through the project forum. The wide variety of these projects and the extent to which they are controlled or managed by the Council means that it is not easy to apply a consistent approach to project reporting and monitoring. However there are some key elements which apply across all projects such as cost (or budget), timescales, benefits realisation, risks and issue management. The introduction of a standard reporting and Management Information (MI) tool will allow effective monitoring of key projects and ensure that the Project Forum focusses on those areas of greatest priority. An example of a report pack was included as an appendix to this report and has now been rolled out.

The new Performance Management Framework will help to improve consistency and quality across projects, however it is clear that the current projects are at different stages of completion and have varying levels of documentation to support a formal project management approach. It is unlikely that real value will be obtained by recreating a history of the existing projects to fit the new framework. Instead the framework should apply to all new projects.

Throughout the course of this review it has become apparent that there is significant reliance on one individual who is currently a contractor working at the council. Whilst it is admirable that the council is maximising the value obtained from this contractor, there is a concern that he has become a ‘single point of

failure' and the council could be exposed if he was unavailable for any reason. In addition there is some question over whether the existing contractual terms cover all of the activities currently being undertaken by this individual.

There was some confusion over when some of the projects would be classed as completed. In particular The Crescent completion date could be a based on a number of key actions. Similarly the RGF funding includes a need for monitoring for a number of years after the work has been completed. Some clarification over completion dates would be helpful.

A limited discussion around the Channel Shift project raised some initial concern over the implementation timescales as the procurement process for a new system had not commenced at the time of the review. In addition, it was not clear what the Council's financial exposure would or could be in the event of one of the partners failing to fulfil its funding conditions. Subsequently, the Council has looked at the original bid for funding and checked the determination it was given when the funding was allocated. There is nothing within this to suggest that the funding could be at risk of clawback.

There appears to be a very good informal approach to governance across the projects. The size of the authority and the fact that there is good visibility across the senior officers within the council means that there is a high level of awareness of project performance and risks and issues. This ensures a good level of control but also highlights the need for more formal documentation of project governance and the impact that the large number of projects can have on senior officer's time.

Fieldwork and draft reports

Work is progressing in the following areas:

- Project Management – Internal audit will continue to attend meetings of the Project Forum and to provide support and challenge to the council in this key area.
- Business Control Service – review commenced 5th October.
- Safeguarding – review commenced 12th October.
- Financial systems – scoping meeting held and terms of reference being produced.

Other activity

Scoping meetings are now in place for all Q3 reviews.

Internal audit has also reviewed the Council's Risk Management framework and Project Management framework and provided feedback on each. Internal audit has also conducted a training session for members of the Finance Audit and Performance Committee in conjunction with the council's external auditor.

Appendix 1 - Internal audit detailed progress tracker

Ref	*Auditable unit*	*Indicative number of days**	*Actual audit days to date*	*Scoping meeting date*	*Proposed fieldwork dates*	*Proposed draft report date*	*Proposed management response date*	*Proposed final report date*	*Audit Committee reporting date*
A1	Finance Systems	20	2	September 2015	Q3				March 2016
A2	Medium Term Financial Strategy	5	0		Q3				March 2016
A5	Corporate Governance and Risk Management	7	0		Q3				February 2016
A6	Partnerships / Joint Arrangements	5	0		Q4				May 2016
A7	Project Management	15	12	August 2015	Q2	2nd October 2015	16th October 2015	23rd October 2015	October 2015 March 2016
A14	Safeguarding	10	2	August 2015	12th October 2015	6th November 2015	20th November 2015	27th November 2015	December 2015
B1	Housing Rents	5	0		Q4				May 2016
B2	HRA Investment	5	0		Q3				February 2016

Ref	*Auditable unit*	*Indicative number of days**	*Actual audit days to date*	*Scoping meeting date*	*Proposed fieldwork dates*	*Proposed draft report date*	*Proposed management response date*	*Proposed final report date*	*Audit Committee reporting date*
	Plan								
B3	Building Control Service	5	1	July 2015	5th October 2015	23rd October 2015	6th November 2015	13th November 2015	December 2015
B4	Town Centre Management - Markets	5	0		Q3				February 2016
B5	Recycling and Refuse Collection	5	0		Q4				May 2016
C1	Housing Repairs	5	0		Q3				December 2015
D1	Council Tax	5	0		Q3				March 2016
D2	Business Rates	5	0		Q3				March 2016
M1	Audit Management	10	5	n/a	n/a	n/a	n/a	n/a	n/a
	Total days (excl. contingency)	**112**	**22**	n/a	n/a	n/a	n/a	n/a	n/a
	Contingency	3	0						

Ref	*Auditable unit*	*Indicative number of days**	*Actual audit days to date*	*Scoping meeting date*	*Proposed fieldwork dates*	*Proposed draft report date*	*Proposed management response date*	*Proposed final report date*	*Audit Committee reporting date*
	Total days	**115**	**22**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

* *Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.*

Appendix 2 – Outstanding audit actions – TrAction report

Audit Title	Finding Heading	Finding Rating	Action Reference	Agreed Action	Action Status	Responsible People	Implementation Deadline	Days Overdue	Status
CWAS - Brought forward issues	Homelessness - Orchard system	Advisory	New	Council should review the effectiveness of the Orchard system for the homelessness service	Open	Jo Wykes	01/01/2012 Revised implementation date suggested 31/12/15	1375	Updated 8/10 Have compared P1E data on Orchard against manual records and they are incompatible. Will require further investigation to establish where recording errors are being made, identifying if further training is required for staff and evaluating if Orchard. Will compare Quarter 3 (1st July to 30th September 2015) and drill down to find where the errors occur.
CWAS - Brought forward issues	VOA and CT System Reconciliation	Advisory	New	The discrepancies should be investigated and rectified.	Open	Leigh Butler,Sally O Hanlon,Storme Coop,Sue Williams	31/03/2014 Revised implementation date suggested 1/10/16	555	Updated 2/10 The Council Tax Team are currently prioritising their resource and training plan in order to train the new generic team and bring their workload up to date. Claire Stone will progress the work with the valuation office once this higher priority work plan has been completed.

CWAS - Brought forward issues	Procedure notes	Advisory	New	Consideration should be given for another person within the HR/Payroll Section to follow the procedure notes to ensure that the payroll could be processed in the absence of the Payroll Assistant.	Open	Julie Stay	30/09/2014 Revised implementation date suggested 31/3/16	372	Updated 5/10 A complete reworking of the procedures notes is required - the payroll officer has been tasked to complete the 28 sections of the procedures notes, at present 5 are complete. they have been tasked to complete 4 sections per month up to 31 March 2016
CWAS - Brought forward issues	Assurance processes	Advisory	New	An assurance process should be introduced to review samples of officer assessments of applications and banding decisions, allocations to properties and nominations to Housing Associations.	Open	Jo Wykes	31/07/2015	68	Outstanding
CWAS - Brought forward issues	Comparative management review	Advisory	New	Comparative information about annual numbers of applications received or allocations made between years should be collected for performance management purposes and to enable review of individual officers. It would be helpful if workload could be tracked and an Indicator of complexity of caseload devised.	Open	Jo Wykes	31/07/2015 Revised implementation date suggested 31/12/15	68	Updated 8/10 Training required on reports
CWAS - Brought forward issues	Compliance with policies around advertising properties	Advisory	New	Management information should be produced to enable officers to monitor the advertising of vacancies to ensure that the policies relating to the advertising of properties in the sub-region are adhered to.	Open	Jo Wykes	31/07/2015	68	Updated 8/10 Discussed at CBL steering group and no other authorities monitor this information

CWAS - Brought forward issues	Reporting and monitoring	Advisory	New	Management should consider reporting specific information on the value and age profile of rent arrears for both current and former tenants.	Open	Madeline Shellard	01/09/2015	36	Outstanding In Madeline's absence other staff are reviewing this action.
CWAS - Brought forward issues	Annual Review of Applications	Advisory	New	Officers should consider reinstating an annual review of applicants' circumstances.	Open	Jo Wykes	30/09/2015 Revised implementation date suggested 31/10/15	7	Updated 8/10 Training for staff on annual renewals has commenced
CWAS - Brought forward issues	R1	Advisory	New	Management should ensure any ongoing corporate plan sickness targets link suitably to absence triggers within the revised Attendance Management Framework	Open	Julie Stay	30/09/2015	7	Outstanding
CWAS - Brought forward issues	3.3 Information Security Incident & Event Reporting	Advisory	New	Documented security incident and event reporting procedures should be extended to cover paper documents and should be approved by both the SIRO and members.	Open	Julie Kenny	30/09/2015	7	Outstanding
CWAS - Brought forward issues	3.1 Information Governance Framework	Advisory	New	A documented Information Governance Management Framework should be produced that follows the headings provided in the guidance included as part of the IG Toolkit.	Open	Julie Kenny	30/09/2015	7	Outstanding

CWAS - Brought forward issues	3.2 IG Policies/Strategies	Advisory	New	All IG related policies should be regularly reviewed to ensure they are up-to-date. As best practice, a date the policy should be reviewed by should be incorporated into the policy and the policy date changed upon review (whether or not changes were required).	Open	Julie Kenny	30/09/2015	7	Outstanding

Appendix 3 -Thought leadership publications

As part of the regular reporting to you we plan to keep you up to date with emerging thought leadership published by PwC. The PwC Public Sector Research Centre produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

All publications can be read in full at ***www.psrc.pwc.com/***

To own or not to own: realising the value of public sector assets

The drivers of fiscal austerity will continue to frame decisions, and the ongoing reform of public services, for the rest of this Parliament.

Setting out the Spending Review, the Chancellor emphasised the importance of casting the net of efficiency widely, challenging government departments to "examine their assets and consider how they can be managed more effectively, including considering the role of privatisation and contracting out where assets do not need to be held in the public sector."

Government has an asset base of £1,300 billion to support £700 billion of public spending. While recognising some obvious differences in objectives and function, most private sector organisations, even the most capital intensive such as oil companies, have ratios of assets to revenues of less than 1:1.

Our Talking Points considers how the government and public sector can best realise the value of its assets looking towards the 2015 Spending Review – and beyond

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Local State We're In 2015

Our annual temperature check of local government

Local authorities are facing challenges on all fronts: financial pressures continue while demand and public expectations grow, alongside concerns about councils having the capacity and capability to respond.

Five years on from our original Local State We're In survey, Chief Executives and Leaders have recognised the need to do things differently, looking beyond their organisational boundaries and taking a place-based, whole systems approach.

"Over the next five years we need to fundamentally redesign the shape of the organisation to respond to the challenges of reducing resources and increasing demands." Chief Executive

Picking up a theme from last year's survey, three quarters of local authorities now agree that their focus should be on outcomes, rather than service delivery. However, only a third of Chief Executives are confident they have a good understanding of the cost of securing outcomes across their area, and fewer are confident they understand how to measure outcomes and their impact.

New ways of working bring new risks and require new skills and collaborative relationships. As we look to 2015 and beyond, the challenge is to turn new strategies into new ways of working for staff, the public and partners that make a real impact on outcomes.

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