

**AUDIT COMMITTEE – 6<sup>th</sup> JUNE 2018**

**INTERIM INTERNAL AUDIT ANNUAL REPORT 2017/18**

**Executive Summary**

- i. This report provides the Head of Internal Audit's interim annual opinion on the adequacy and effectiveness of the Authority's internal control arrangements based on the work of Internal Audit during 2017/18 and has been prepared in accordance with the Public Sector Internal Audit Standards.
- ii. Considering the overall results of Internal Audit work undertaken to date, together with management's implementation of recommendations the indicative opinion given is **adequate** (positive) assurance. This has been based upon an agreed annual programme of risk based audit coverage which has enabled a valid indicative assurance opinion to be provided.
- iii. Whilst the overall indicative opinion is positive, there are some key issues arising from Internal Audit work in the year that senior management should consider. In general terms these relate to the continued impact of Future Council and the implications of changed structures, new and changed systems and an increased workload for many managers which have impacted upon their ability to maintain reasonable and effective controls in some areas of activity.
- iv. It is recognised that the Future Council approach has required a change in risk appetite and that there has been a natural period during which new operational arrangements have been implemented. The next stage of course is to ensure that these are embedded. This has been openly acknowledged and discussed with senior management during the year but it is nevertheless important that during 2018/19 senior managers remain alert to and focussed on maintaining an appropriate, risk-based and effective framework of controls.
- v. The key issues arising from all completed audits have been reported throughout the year within the Quarterly Internal Audit Reports and are summarised in this report.
- vi. Throughout the year the Audit Committee have been made aware of progress in the implementation of audit report recommendations. This has continued to be an issue throughout the year. Overall, at the point of follow-up and over the year only 37% of recommendations had been implemented by the date agreed by management. The monitoring of report recommendations will continue to be a priority for the Service.
- vii. The current audit plan is focussed on supporting management to consider the approach to controls in the context of reduced resources.

## Report of the Head of Internal Audit and Corporate Anti-Fraud

**AUDIT COMMITTEE – 6<sup>th</sup> JUNE 2018**

### **INTERIM INTERNAL AUDIT ANNUAL REPORT 2017/18**

#### **1. Purpose of Report**

- 1.1 This interim annual report has been prepared adopting recommended practice contained within the updated Public Sector Internal Audit Standards (PSIAS) which came into effect on the 1<sup>st</sup> April 2017. These Standards require the Head of Internal Audit (HoIA) to report to the appropriate Member body, the Audit Committee, providing his opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control based on the work undertaken by Internal Audit.
- 1.2 In order to comply with these Standards the report provides:-
- i. an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control;
  - ii. summary of the audit work undertaken to formulate the opinion;
  - iii. details of key control issues identified which can be used to inform the Annual Governance Statement (AGS); and
  - iv. the extent to which the work of other review or audit bodies has been relied upon.
- 1.3 The opinion provided is an indicative opinion and an update will be given to members at the September Audit Committee to coincide with the consideration of the final Annual Government Statement.

#### **2. Recommendations**

##### **2.1 It is recommended that the Audit Committee:-**

- i. considers the indicative opinion provided by the Head of Internal Audit based on the work undertaken in 2017/18 regarding the adequacy and effectiveness of the Authority's framework of governance, risk management and control;**
- ii. notes the key issues arising from the work of Internal Audit in the context of the Annual Governance Statement (AGS).**

### **3. Introduction / Background**

- 3.1 In accordance with statutory best practice provided by the PSIAS, there is a requirement that the Head of Internal Audit (HoIA) prepares an annual report to the appropriate member body providing, amongst other things, an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control based on the audit work undertaken. For the Authority, the appropriate member body is the Audit Committee.
- 3.2 The Accounts and Audit Regulations require all councils to publish an Annual Governance Statement (AGS) providing a narrative on the Council's internal control, risk management and governance framework, the results of the annual review process and detailing any actions to be taken in respect of any identified weaknesses. The AGS will address all aspects of corporate governance including internal control and risk management arrangements, in addition to financial controls.
- 3.3 This report provides a summary of key issues arising from the work of Internal Audit covered in the 2017/18 audit plan and up to the point of preparing this report, which contributes to the overall indicative assurance opinion the HoIA is able to give the Audit Committee.
- 3.4 Although providing an important and significant contribution to the assurances the Audit Committee needs in its consideration of the AGS, this report forms only part of the assurance framework. The Audit Committee will receive the draft Annual Governance Statement for 2017/18 at the June meeting. The Audit Committee are therefore encouraged to consider this interim annual report in the context of broad controls assurance.
- 3.5 The financial budget for the Internal Audit Team is clearly set covering the period 1<sup>st</sup> April to 31<sup>st</sup> March each year and a plan of the days and where they are planned to be delivered is prepared similarly. However, the actual delivery of internal audit work and the constant review and revision of coverage is on a more rolling basis. In order to align the annual Internal Audit report to the AGS and the signing of the Statement of Accounts it is more appropriate that the Head of Internal Audit's opinion is provided reflecting all the work undertaken at the point of the approval of the AGS and Accounts.
- 3.6 In order to provide the Audit Committee with key information and the opportunity to comment this interim final report has been prepared along with an indicative opinion.

#### **4. Head of Internal Audit's Indicative Opinion on the Effectiveness of the Authority's Internal Control Environment**

- 4.1 The Audit Committee has received quarterly reports throughout the audit year. In each of these reports an adequate assurance opinion had been given reflecting on a quarterly basis an overall satisfactory level of internal controls and their application.
- 4.2 Taking the whole year into account, the audits completed and substantially complete, it is appropriate to give an overall **adequate** (positive) indicative assurance opinion for the year. The information supporting this opinion is provided below.
- 4.3 Whilst the overall opinion is positive, there are some key issues arising from Internal Audit work in the year that senior management should consider. In general terms these continue to relate to the impact of Future Council and the implications of changed structures, new and changed systems and an increased workload for many managers have had on the ability to maintain reasonable and effective controls in some areas of activity.
- 4.4 It is recognised that the Future Council approach has required a change in risk appetite and that there is a natural period during which new operational arrangements will embed. This has been openly acknowledged and again discussed with senior management during the year but it is nevertheless important that during 2017/18 senior managers remain alert to, and focussed on, maintaining an appropriate, risk-based and effective framework of controls. The audit work undertaken and planned for the current year has sought to take into account the change in risk appetite necessary to embrace and implement such significant change and achieve financial savings. Although the overall assurance opinion is adequate, it is essential that senior management retain a focus on embedding new operational and governance arrangements.
- 4.5 To highlight this issue, a number of senior managers asked for Internal Audit input during the year to provide assurances that the control framework in certain areas was effective. This Internal Audit support was requested to highlight key risk issues and assist management in how best to manage the risks. Of key importance of course is the consideration and management of the identified and accepted risks moving forward.
- 4.6 It should be noted that the audit work completed has in the main identified weaknesses in the framework and application of controls that increases the risk of the failure to meet operational objectives. The failure to then address control weaknesses through the timely implementation of recommendations clearly adds to this risk.

- 4.7 Section 6 of this report provides more detail regarding the results of the audit work. In summary, 50% of the completed audits resulted in a substantial or adequate assurance opinion which would be a decrease from 2016/17. However, if we include the 2017/18 Internal Audit reviews that are substantially complete, as at 25<sup>th</sup> May, all have an indicative opinion of at least adequate, this would increase to 60%. With regards to the implementation of agreed management actions only 37% were implemented by the original date set by management.
- 4.8 Within the quarterly reports a number of key issues were drawn to the Committee's attention. These are summarised in Section 6.
- 4.9 The results of the core system reviews for the 2017/18 financial year are given in paragraph. 6.15.
- 4.10 There was, however, only a small percentage of the recommendations made that fell into the Fundamental category (2%). Overall, there has been a 10% increase in the percentage of significant recommendations made from 44% in 2016/17 to 54% in 2017/18.
- 4.11 Audit work in the year has found areas where controls remain good and only relatively minor issues have been raised. However, as mentioned above, the work has identified the continuation of a general theme of the difficulty management have had to implement recommendations by the agreed dates.
- 4.12 Although audit work aims to cover a broad range of services, systems and areas of Council activity, it needs to be recognised that Internal Audit coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly the assurance opinion provided is based on reasonable coverage, as resources allow, and cannot be regarded as absolute assurance. Equally, there is a responsibility of senior managers through the annual governance statement process to provide assurances to the Chief Executive regarding the application and effectiveness of the internal control and governance framework in their operational or functional areas.

4.13 To remind the Committee, Internal Audit assurance opinions are classified within a range of four options, two positive and two negative. The table below shows in broad terms the basis for the different opinions applied.

	<b>Level</b>	<b>Control Adequacy</b>	<b>Control Application</b>
<b>POSITIVE OPINIONS</b>	<b>Substantial Assurance</b>	A robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	<b>Adequate Assurance</b>	A sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
<b>NEGATIVE OPINIONS</b>	<b>Limited Assurance</b>	Risk exists of objectives not being achieved due to the absence of key controls in the system.	A significant breakdown in the application of key controls.
	<b>No Assurance</b>	A significant risk exists of objectives not being achieved due to the absence of controls in the system.	A fundamental breakdown in the application of all or most controls.

4.14 Internal Audit seeks to work closely as appropriate with other auditors, most significantly External Audit. However, for 2017/18 no work undertaken by other auditors or any other review body has been specifically relied upon in the provision of this indicative annual overall assurance opinion.

**5. Summary of Internal Audit Work and Coverage 2017/18**

5.1 Internal Audit aim to utilise a risk-based approach to planning its work. This approach seeks to ensure that the key risks facing the Authority are covered where appropriate by Internal Audit work. Internal Audit was able to use the Strategic and Operational Risk Registers to contribute to the planning of audit coverage. The audit planning process and details of the 2017/18 audit plan were reported to the Audit Committee in the March 2017 meeting.

5.2 The Audit Committee has received quarterly reports that incorporate the results of audit work and management’s response on an on-going basis. A summary of the Internal Audit reports for 2017/18 is at Appendix 2.

5.3 At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for Audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency. Over the last couple of years there has been a notable increase in the number of these adjustments which is indicative of the rapidly changing control environment and structure of the Council. Details of audit work which has been deferred, deleted or requests for specific pieces of work have been reported within the quarterly reports.

- 5.4 It should also be noted that Internal Audit work is variable both in its nature and timing. The risk-based approach ensures the highest priority work is undertaken. As with all plans, the audit plan was determined at a particular time (March 2017) utilising information available and has been subject to significant changes in certain areas arising from the Future Council Programme and requests for audit input. The Audit Committee should be assured that within the finite resources available to Internal Audit, the key audit risks identified have either received audit attention during the year or are reflected in the audit plan for 2018/19
- 5.5 The position at the end of the year for core internal audit days shows an overdelivery of 106 days, or 10%, of the original provision. Due to the flexible nature of the plan this was constantly monitored and revised with any work that was unable to be resourced being re-assessed and, where appropriate, carried over to the current audit year.
- 5.6 In terms of the overall delivery of planned days, a total of 1,127 days were delivered by the core Internal Audit team. Details of the original and revised plan along with how these days were actually spent against each Directorate are shown in Appendix 1. This overall level of core internal audit resource is 9% less (112 days) than provided in 2016/17.
- 5.7 Within the reduced resources there remains a significant amount of time needed to respond to requests for providing advice, support to services, innovation and initiatives, changes, projects and programmes, corporate change projects and general work that does not result in a specific report. Approximately half of operational audit time is spent on work that generates a specific report. Details of the non-report work have been provided through the quarterly reports, but in summary has covered the following:
- Grant verification
  - Final Account reviews
  - Charity Accounts
  - Requests for service reviews on a consultancy or advisory basis
  - Review of Contract Procedure Rules
  - General advice to services in relation to controls, risk and governance
  - Audit Committee support
  - Follow-up of recommendations
  - Corporate document management / information asset requirements
  - Annual audit planning process
  - Feedback and liaison to all services
  - Input to the Annual Governance Review
  - Policy review and advice
- 5.8 Whilst the work covered in the above list has not resulted in a specific assurance opinion, all work undertaken is considered in terms of the overall annual assurance provided in this annual report. Much of this work has also been considered in the 2018/19 planned coverage.

**6. Summary of Internal Control Issues Arising from Internal Audit work in 2017/18**

6.1 Internal Audit has completed 16 individual reviews of aspects of the Authority’s internal control framework during 2017/18 that resulted in a formal report. These 16 audits sought to identify, test and review various controls to ensure management were meeting their responsibilities to establish and adhere to appropriate systems of internal control. It should be noted that at the time of this report, a further 6 reviews are ongoing and are substantially complete. The indicative assurance opinions for these are of a least adequate for all. Details are referenced within the work in progress section (appendix 4).

6.2 A summary of the assurance opinions given for the 16 reports issued for the year and those to be issued are shown below together with a comparison to 2016/17 and 2015/16.

Assurance Opinion		Indicative 2017/18		Completed 2017/18		2016/17		2015/16	
		No	%	No.	%	No.	%	No.	%
Positive Opinions	Substantial	2	10%	2	12%	1	6%	2	7%
	Adequate	10	50%	6	38%	9	56%	11	41%
Negative Opinions	Limited	8	40%	8	50%	6	38%	4	52%
	No	0	0%	0	0%	0	0%	0	0%
<b>TOTAL</b>		<b>20</b>	<b>100%</b>	<b>16</b>	<b>100%</b>	16	100%	27	100%

It should be noted that clearly some audit areas have a greater significance and potential impact on the overall assurance opinion, i.e. limited assurance opinions given for control weaknesses in areas with a narrow scope, limited transactions and financial value will have a lower impact on the overall opinion compared to say a major service or a core financial system receiving such an opinion.

6.4 Across the various completed pieces of work 110 recommendations were made. These are summarised below:

Recommendation Category	No.	%	No.	%	No.	%
	2017/18		2016/17		2015/16	
<b>Fundamental</b>	3	2%	4	3%	10	6%
<b>Significant</b>	59	54%	51	44%	86	49%
<b>Merits Attention</b>	48	44%	62	53%	79	45%
<b>Total</b>	<b>110</b>	<b>100%</b>	117	100%	175	100%

- 6.5 As can be seen, only 3 fundamental recommendations were made reflecting the fact that overall relatively few major control issues were identified. In all cases management have agreed the recommendations made and set their own timescales for implementation. Although there has been significant pressure on management throughout the year and across all services, Internal Audit has continued to get good co-operation from management across the Council and at various levels.
- 6.6 Details of the key issues arising from these reviews have been presented to the Audit Committee in the quarterly reports. These findings have arisen across audit reviews ranging from specific establishments to areas of governance.
- 6.7 As stated in the quarterly reports it is important to note that the identification of control weaknesses does not necessarily indicate that any loss or inefficiency has actually occurred. Weaknesses indicate an increased *potential* that losses or inefficiencies could occur.
- 6.8 An important part of Internal Audit's assessment of controls is undertaken through the annual reviews of the core financial systems of the Authority. This work is considered by External Audit who have regard to Internal Audit's work to assist in their opinion on the financial systems for their audit of the Accounts.
- 6.9 The core system reviews in relation to 2017/18 are just being completed. The necessary timing of these reviews is extremely challenging in coinciding with the preparation of the draft accounts. It is appropriate to highlight the excellent co-operation once again received from Financial Services. A separate section on the core system reviews is given below.
- 6.10 In relation to specific establishments or other minor systems, controls are tested at a lower level to ensure the detailed operation of systems and procedures, and the use of assets and resources are effective.
- 6.11 During the year, 115 audit report recommendations were followed-up in accordance with the current recommendation follow-up protocol. As reported through the quarterly reports, the percentage of recommendations implemented by the original date has been relatively low.
- 6.12 Overall, at the point of review and across the year, only 37% of recommendations had been implemented as originally planned compared to 45% in 2016/17. However, again at the point of review 59% of recommendations had been implemented albeit a significant proportion outside of the original timescales / implemented by revised target date. This is lower than the 2016/17 total of 70%.

- 6.13 The Audit Committee has continued to monitor this situation and has expressed concern regarding this matter. Senior management have been reminded of their responsibilities to implement agreed recommendations to ensure any control, risk or governance weaknesses identified through internal audit work are corrected. The Senior Management Team receives regular monitoring reports regarding the implementation of recommendations and escalates action accordingly. Clearly, any significant delay in implementation or non-implementation weakens the overall control environment.
- 6.14 In common with the general theme highlighted previously, Internal Audit has found that in many cases the delay in the implementation of recommendations has been as a direct consequence of the significant demands placed on senior management over the last 24 months in managing the implementation of Future Council. It is hoped that in 2018/19 senior management will be able to better meet their own timescales for implementing recommendations. However, it is acknowledged that additional and significant savings will be required over the next few years which are likely to continue to impact on management capacity.

#### Core System Reviews 2017/18

- 6.15 Overall there are 11 systems regarded as core and fundamental to the financial management of the Authority. Over the last few years there has been a detailed risk assessment undertaken to establish the extent of coverage each system requires given a number of factors, namely any significant changes in the system or key personnel, the audit opinion the previous audit and the results of an analytical review undertaken by Internal Audit. The outcome of this risk assessment is discussed and agreed with the Section 151 Officer. External Audit are also consulted on the risk assessment and proposed coverage.

6.16 The assurance opinions given for each of them are shown in the table below:-

<b>Core System</b>	<b>Assurance Opinion 2017/18</b>	Assurance Opinion 2016/17	Assurance Opinion 2015/16	Assurance Opinion 2014/15	Assurance Opinion 2013/14
Purchase to Pay	Ongoing	Not Audited	Not Audited	Adequate	Adequate
Income	Ongoing	Not Audited	Adequate	Limited	Adequate
Council Tax / NDR	Not Audited	Not Audited	Adequate	Not Audited	Substantial*
Housing Benefits	Not Audited	Limited	Not Audited	Not Audited	Substantial
Pay, Employee Admin & Org. Management	Adequate	Not Audited	Not Audited	Substantial	Substantial
Fixed Assets / Asset Mgt.	Not Audited	Not Audited	Not Audited	Limited	Adequate
Cash Receipting & Banking	Not Audited	Not Audited	Adequate	Adequate	Adequate
Main Accounting	Ongoing	Not Audited	Not Audited	Substantial	Substantial
Housing Rents	Substantial	Substantial	Substantial	Substantial	Substantial
Treasury Management	Ongoing	Adequate	Not Audited	Substantial	Substantial
SAP System*	Not Audited	Limited	Limited	Not audited	Not audited

#### Summary

<b>Assurance Opinion</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>
Substantial	1 / 17%	1 / 50%	1 / 33%	2 / 29%	7 / 64%
Adequate	1 / 17%	1 / 50%	2 / 33%	2 / 29%	4 / 36%
Limited	0 / 0%	1	1 / 33%	3 / 42%	0 / 0%
No	0 / 0%	0	0 / 0%	0 / 0%	0 / 0%
Audit Ongoing	4 * / 66%	1	0 / 0%	0 / 0%	0 / 0%
Not audited	5	8	7	5	1

\*The ongoing audit reviews are substantially complete at the time of drafting this report. The indicative opinions for all of these reviews are at least adequate.

6.17 Due to the timing of these audits, the detailed results will be included in the Progress report to the July Audit Committee meeting and within the final annual report to the July meeting.

## Summary of Control Issues

6.18 During the year the Audit Committee has received quarterly reports that highlighted key control issues that could potentially undermine the provision of an overall positive assurance opinion for the year. The major issues that resulted in the issue of fundamental recommendations were:-

- A breakdown in relationships between Services resulting in inadequate and ineffective Council Wide contract management arrangements.
- Outdated operational procedures with regard to final accounts where there is a responsibility for managing and delivering capital projects.
- Local Authority Maintained School failed to adhere to the requirements of the Contract Procedure Rules and/or associated procedures and documentation. This resulted in the processes not being fair, open and transparent.

6.19 It is noted and highlighted that the Future Council Programme will continue to have significant implications for the structure and nature of the Council's control framework. This will inevitably give rise to implications in terms of the effectiveness of control and governance structures and will require careful management in order to retain a positive assurance overall.

## **7. Local Area Implications**

7.1 There are no Local Area Implications arising from this report.

## **8. Consultations**

8.1 All audit reports are discussed with the main auditee. Individual audit reports are provided to the appropriate Executive and/or Assistant Director to apprise him/her of key issues raised and remedial actions agreed. No specific consultation has been necessary in the preparation of this annual report.

## **9. Compatibility with European Convention on Human Rights**

9.1 In the conduct of investigations, Internal Audit operates under the provisions of the Data Protection Act 1998, the Human Rights Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

## **10. Reduction of Crime and Disorder**

10.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls. Additionally, Internal Audit ensures that, in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

## **11. Risk Management Considerations**

- 11.1 Whilst there are no specific risks emanating as a result of this report there are a range of risk issues worthy of consideration and note.
- 11.2 During the year, the Division reviewed and revised its operational risk register to ensure all risks to the delivery of the function's objectives were identified and could therefore be managed. This risk register is the subject of regular review in accordance with the corporate process.
- 11.3 The Audit Committee has received a detailed report on the audit plan including the basis of the plan and the utilisation of risk information. This is a critical aspect of the audit function and seeks to ensure audit resources are targeted at the areas of the Council's business where the most significant risks have been identified.
- 11.4 There is a risk to the Authority as a whole should the Internal Audit function not be effective. This would undermine the internal control, risk and governance arrangements of the Authority and fail to provide the Audit Committee with insufficient independent information upon which to base their assurance views upon. The provision of detailed quarterly reports during the year, plus this annual report and the report on the effectiveness of the audit function should act as mitigation in ensuring the Audit Committee is in a position to constantly keep the audit function under review.
- 11.5 There is a risk to the control and governance of the Authority if management fail to implement recommendations. In mitigation Internal Audit has introduced a more rigorous 'follow-up' process to ensure the most significant issues are implemented. This is reported to the Audit Committee within the quarterly and annual reports.

## **12. Employee Implications**

- 12.1 There are no employee implications arising from this report.

## **13. Financial Implications**

- 13.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function and the external audit fees are included within the Authority's base budget.

**14. Appendices**

- 14.1 Appendix 1 - Internal Audit Plan 2017/18
- Appendix 2 - Summary of Internal Audit Reports 2017/18
- Appendix 3 - Details and Outcome of other Audit Activities Not Producing a specific Assurance Opinion

**15. Background Papers**

- 15.1 Various Internal and External Audit reports, files and working papers.

**Officer Contact: Rob Winter CPFA**  
**Head of Internal Audit and Corporate Anti-Fraud**  
**Telephone No: 01226 773241**  
**Date: 25<sup>th</sup> May 2018**

**INTERNAL AUDIT PLAN 2017/18 – Position as at 31st March 2018**

<b>Directorate</b>	<b>Original 2017/18 Plan</b>	<b>Revised 2017/18 Plan</b>	<b>Actual Days</b>
Communities	75	77	62
People	98	103	138
Place	63	83	173
Public Health	26	26	1
Core	419	421	384
Council Wide	142	142	195
Corporate	167	169	174
Contingency	50	0	0
<b>Total Internal Audit</b>	<b>1,040</b>	<b>1,021</b>	<b>1,127</b>

<b>Corporate Anti-Fraud Team</b>	561	562	560
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<b>Total Chargeable Planned Days</b>	<b>1,601</b>	<b>1,583</b>	<b>1,687</b>
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## Summary of Internal Audit Reports 2017/18

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Finance: Treasury Management	The main issue arising from this audit was in regards to Annual Treasury Policy, Strategy Statements and the Annual Report on Treasury Management activities not being presented to Audit Committee for scrutiny.	<b>Adequate</b>	F - 0 S - 1 MA - 5	23.06.2017
Core Services: Selective Voluntary Early Retirement & Voluntary Severance Schemes	The key issues identified relate to the need to ensure policies are updated to reflect new/ revised procedures and current job titles. The 'Analysis of Selective Voluntary Early Retirement and Voluntary Severance' should be reinstated and provided to Cabinet on a sufficiently frequent basis in order that Cabinet can fulfil its responsibility for the oversight of financial management for the Council.	<b>Adequate</b>	F - 0 S - 2 MA - 2	18.10.2017
Place: Final Accounts Process Review	<p>This review has identified wider contract management issues that need to be considered and resolved. In terms of final accounts arrangements, the review concluded that final account requirements are clearly set down within the Council's Financial Regulations and operational procedures within NPS Barnsley Ltd. However, no current operational procedures were provided by the Place Directorate (i.e. 20 years old), being responsible for delivering and managing highways, engineering and landscaping related projects.</p> <p>Final accounts are submitted to Internal Audit by NPS Barnsley Ltd, but there are delays in these being completed following practical completion, which is not in accordance with the formal contracts entered into with the Contractors. Delays impact upon the reputation of the Council (i.e. impact on Contractor's financial accounts and cashflow) and also the quality of the account due to key personnel no longer being available and source documentation not being securely retained. It is acknowledged that this position has improved, during the period of additional work being undertaken in the Place Directorate to enable this review to be concluded.</p> <p>The additional work commissioned by Place following discussion of the initial draft report has concluded that the quality of final accounts assembled is not satisfactory. There is a lack of evidence to support the decisions made and approvals provided, particularly with regards to internally delivered schemes and also variations to the original specifications.</p>	<b>Limited</b>	F - 2 S - 3 MA - 0	01.11.2017

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Communities: Data Retention, Archiving & Disposal	<p>There are inadequate governance and control measures in place in relation to corporate data retention, archiving and disposal. Most crucially this is having regard to the absence of any formal arrangements for the archiving and/or disposal of data held on business applications, including the absence of any corresponding defined strategies or plans.</p> <p>This position is further impacted having regard to the heightened financial sanctions which will be in place from May 2018, in circumstances where the Information Commission Office (ICO) may fine those organisations who are failing to comply with the General Data Protection Regulations (GDPR) legislation.</p> <p>Prior to completion of audit testing it was brought to the attention of Internal Audit that Council arrangements in this area were to be included within the scope of the commissioned ICO Audit. Having regard to such it was subsequently agreed that further work against the scope of the Internal Audit review should be curtailed.</p>	<b>Limited</b>	F - 0 S - 2 MA - 2	18.12.2017
People: Procurement Themed Review Executive Summary	<p>The review concluded that the three maintained schools visited did not hold a copy of the Council's Contract Procedure Rules (CPRs) and therefore were not fully aware of the regulatory and procedural requirements that must be applied and complied with when procuring goods and services. Similarly, officers had no knowledge of the latest DFE Buying for Schools Guidance that provides information on how to plan and run an efficient procurement process. This will have contributed to the areas of non-compliance identified during the testing of a sample of procurements during 2016/17.</p> <p>In addition, a system and / or standardised processes had not been developed and made available to the Officers / schools to facilitate a consistent and efficient approach to procurement and to ensure compliance with regulatory requirements.</p> <p><i>Note – it is the responsibility of a governing body to oversee the control environment of a school. Advice is available from the Council's Procurement Section.</i></p>	<b>Limited</b>	F - 1 S - 9 MA - 3	17.01.2018
Core: Corporate Risk Management	The key issues raised relate to operational risks and / or corresponding mitigating actions not being reviewed / progressed in a timely manner, which may have consequences for the Council's budget and compromise the ability of Business Units to achieve their objectives.	<b>Adequate</b>	F - 0 S - 3 MA - 6	24.01.2018

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Core: Housing Benefit System Access	<p>The review concluded that there were a significant number of people with incorrect user permissions.</p> <p>During the Internal Audit review a joint project group was created to address this issue. Representatives from Housing Benefits and IT form the group.</p>	<b>Limited</b>	F - 0 S - 4 MA - 1	25.01.2018
Core – HR: Baseline Personnel Security Standards	<p>The key issues identified from the review relate to the inconsistency between the BPSS Policy and procedures regarding references collected and the period these should cover leading to a lack of clarity over, and hence inconsistent, working practices.</p> <p>BPSS Verification Forms are not being signed by a senior responsible officer as required by the BPSS Guidance as best practice.</p> <p>Council officers are not routinely checking pre-employment documentation collated and saved by Matrix for agency/temporary staff employed.</p> <p>In addition, there is a lack of clarity between HR and the Strategic Procurement Service as to who actively manages the Matrix contract. It is acknowledged that the Strategic Procurement Service is undertaking a Council Wide review of the contract management arrangements and this will include the review of the mentioned contract.</p>	<b>Adequate</b>	F - 0 S - 4 MA - 3	30.01.2018
Place: Receipt and Banking of Income Arrangements – Bereavement Services	<p>The key issues identified from the review relate to Budget Managers needing to regularly monitor the E-Return tracker system to ensure all income not processed to the Authority's accounts is identified and investigated promptly.</p>	<b>Adequate</b>	F - 0 S - 2 MA - 3	06.02.2018

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Core Service: Register of Interests	<p>The key issues raised related to a lack of clarity throughout the Council regarding the procedures for employees and Members to declare personal interests and any gifts and hospitality.</p> <p>Both management and employees included in the sample had limited or no knowledge of the processes for declaring any interests. Revised procedures required include ;</p> <ul style="list-style-type: none"> <li>• When declarations are required;</li> <li>• Who the responsible officer is to which declarations should be submitted to / or enquiries made;</li> <li>• Whether there were any compensating controls and appropriate safeguards in place to protect the interests of the employees or Members.</li> </ul>	<b>Limited</b>	F - 0 S - 8 MA - 2	20.02.2018
Place: Receipt and Banking of Income & Stock Control Arrangements - Museums	<p>The key issues identified from the review relate to Budget Managers needing to regularly monitor the E-Return tracker system to ensure all income not processed to the Authority's accounts is identified and investigated promptly.</p> <p>There is a need to develop management information e.g. sales, trends, staffing requirements, discrepancies, anomalies etc., to better inform business decisions.</p> <p>There is a need to enhance the EPOS system security arrangements to allow password control.</p> <p>The responsibility for the stock control system to include at least 2 officers being involved in the procedures, with independent spot checks of stock being performed by management. In addition, enhancements to the procedure are required for the requisition, issuing, movement and transfer of stock between the Central Storage Hub and the Museums are required.</p> <p>The stocktake cycle procedure for reporting discrepancies needs to be reviewed to ensure compliance with the Authority's Financial Regulations.</p>	<b>Limited</b>	F - 0 S - 7 MA - 5	26.02.2018

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Place: Receipt and Banking of Income Arrangements – Registration Services	<p>The key issues identified from the review relate to Budget Managers needing to regularly monitor the E-Return tracker system to ensure all income not processed to the Authority's accounts is identified and investigated promptly.</p> <p>The money safe is not suitable to hold any cash. In addition at the time of the audit visit, the storage arrangements for the safe key were inadequate as all staff members could access the key safe housing all keys.</p> <p>Till functionality is not restricted to management as appropriate. Furthermore, no independent checks of ZZ readings are made by a senior officer to ensure that weekly till readings were accurate.</p>	<b>Limited</b>	F - 0 S - 5 MA - 3	08.03.2018
People: Schools Financial Value Standards – Information Governance/ Information Security Themed Review	<p>The Information Governance / Information Security framework in respect of the management of personal and confidential information in maintained schools is overall operating effectively and demonstrating a number of areas of best practice across the schools sampled.</p> <p>However, it is apparent that forthcoming changes to data protection legislation (GDPR) mean that increased emphasis will be placed on the robustness of maintained schools arrangements for managing and maintaining records of personal/confidential data and corresponding processing activities. In addition, there is potential for heightened financial sanctions/penalties imposed by the Information Commissioners Office (ICO) for failure to comply.</p> <p>In this regard, development and implementation by schools of an Information Asset Register and Records Management Policy for example will help secure compliance with GDPR requirements and enhance overall information/data security governance arrangements.</p>	<b>Adequate</b>	F - 0 S - 2 MA - 5	19.03.2018

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Core: Workforce Development Fund	<p>Following a successful funding bid to Skills for Care, the Council acts as lead partner for the Social Care Development Partnership (South Yorkshire) which is responsible for overseeing the disbursement of WDF funds fairly and equitably.</p> <p>However, it is apparent that partnership arrangements have not been reviewed in the context of the requirements of the Council's Partnership Governance Framework and/or Financial Regulations. This is necessary in order to seek appropriate assurances that the Partnership provides a value added contribution to the Council's objectives/priorities and the relationship is well governed and controlled.</p> <p>Following concerns previously raised by Skills for Care in relation to the funding model operated by the Council, revised arrangements have subsequently been introduced to ensure compliance moving forward.</p> <p>However, further concerns are apparent with regard to the lack of any local operational procedures for governing, administering and/or performance managing the WDF. This likely impacted on and compounded the loss of combined knowledge and experience resulting from the departure of three key staff members within quick succession.</p> <p>There are also some instances of non-compliance with a number of funding body terms and conditions. These include the inability to demonstrate that any potential conflicts of interest, on the part of relevant Partnership Board members or officers, are clearly identified and/or recorded as appropriate. Also to ensure that all required WDF claim eligibility documentation is completed consistently by all partner members.</p>	<b>Limited</b>	F - 0 S - 6 MA - 6	23.03.2018
Housing Rents	The review concluded with a substantial assurance opinion and no recommendations were made, based on the audit work undertaken.	<b>Substantial</b>	F - 0 S - 0 MA - 0	10.04.2018
Settlement Agreements	<p>The Authority applies appropriate rigour and scrutiny with regard to the use of Settlement Agreements; the pro forma control document ensures that such agreements are not entered into without the authorisation of relevant senior managers.</p> <p>The key issue identified relates to the Education, Early Start and Prevention Service. One of the 'Request for a Settlement Agreement' pro forma documents tested within the sample related to a maintained school. This document did not have the appropriate authorisations allowing an agreement to proceed.</p>	<b>Substantial</b>	F - 0 S - 1 MA - 2	18.05.18

**Details and Outcome of other Audit Activities Not Producing a specific Assurance Opinion**

Audit Work Completed	Details	Contribution to Assurance
People: Early Education Funding Operational Guidance Review	The Early Education & Prevention Service requested Internal Audit to review the Operational Guidance for the Early Education Funding being circulated to all Early Education Providers from 1st September 2017. In particular the Service requested that a review of Internal Audit's responsibilities was to be undertaken and agreed.	The work contributes to assurance in respect of performance management & data quality.
Communities : Principle Towns Project – Governance Arrangements	Advice was provided to the Communities Directorate for the development of governance arrangements of the Principle Towns Project initiative.	The work contributed to assurance in respect of partnership and relationship management.
Assets: Carbon Reduction Commitment	Validation of the Council's usage of energy supplies regarding the Corporate carbon reduction commitment.	The work contributed to assurance in respect of the environment and sustainability.
Place: New/renewal of Taxi driver applications and DBS checks.	Advice given to the Regulatory Services regarding a new/renewal taxi driver applications within the Borough	The work contributed to assurance in respect of compliance with legal requirements
Place: URBACT Project TechTown Phase 2 - Grant Claim Certification	Grant Claim Audit Certification.	The work contributes to assurance in respect of financial management.
People: Assessed and Supported Year in Employment (AYSE) Grant Claim Verification	Grant Claim Audit Certification for Social Workers in the first year of employment.	The work contributes to assurance in respect of financial management.
Place: Construction Services Review	A review of the use of sub-contractors by the highways construction services and related financial processes, including procurement processes, has been requested by BMBC senior management as an additional piece of work to Internal Audit's planned programme of work for 2017/18.	The work contributes to assurance in respect of performance management & data quality.
Core Services: Data Quality/Performance Management	To provide an independent opinion, the review will examine the adequacy and effectiveness of the revised settlement agreement arrangements following the cessation of Compromise Agreements under the Employment Rights Act and changes under ACAS.	The work contributed to assurance in respect of effective governance and management arrangements in the Quality of Data in the Children's and Adults Directorates.
Place: Skills and Community Service	To provide assurance that there are appropriate and effective governance and performance management arrangements in place over the adult skills and community learning service.	The work contributed to assurance in respect of effective governance and management arrangement in the adult skills and community learning service.

Audit Work Completed	Details	Contribution to Assurance
Legal: Charity Accounts	Completion of Charity Commission's Independent Examiner's Report return.	The work contributes to assurance in respect of financial management.
People: Adult Skills and Community Learning	On the back of an Ofsted report stating the Adult Skills and Community Learning Service 'required improvement', Internal Audit undertook a 'check and challenge' exercise to ensure the requirements of the improvement delivery programme were met.	The work contributes to assurance in respect of ensuring management would meet the requirements of the improvement delivery programme.
People: SFVS – School A Procurement Themed Audit Review	<p>The School did not hold a copy of the Council's Contract Procedure Rules (CPRs) and therefore were not fully aware of the regulatory and procedural requirements that must be applied and complied with when undertaking procurement activity. Similarly, officers had no knowledge of the latest DFE Buying for Schools Guidance that provides information on how to plan and run an efficient procurement process.</p> <p>In addition, a system and / or standardised processes had not been developed and made available to the Officers / schools to facilitate a consistent and efficient approach to procurement and to ensure compliance with regulatory requirements.</p> <p>Sample testing of procurement transactions for the period 2016/17 reinforced the above as several areas of non-compliance with the Council's CPRs was identified. In addition, source documentation could not be consistently provided to evidence the procurement process undertaken and decisions made.</p>	The work contributed to assurance in respect of financial management and governance arrangements within the School.
People: Schools Financial Value Standards – School B Information Governance/ Information Security Themed Review	<p>At the time of the audit site visit, the Records Management Policy was not in place, pending approval by School Governors.</p> <p>The school Privacy Notice did not include reference to the use of CCTV images as per the ICO recommendation; therefore, parents and staff are not informed of the purpose of the images or their retention periods.</p> <p>Furthermore, the school did not have in place a programme of IG/IS awareness training for staff; therefore there is a risk that staff may not be aware of their responsibilities regarding information security and data protection.</p>	The work contributed to assurance in respect of financial management and governance arrangements within the School.

Audit Work Completed	Details	Contribution to Assurance
People: Schools Financial Value Standards – School C Information Governance/ Information Security Themed Review	Mobile devices such as laptops, tablet computers and other mobile devices were not subject to encryption, potentially exposing the school to the risk of loss / disclosure of personal / confidential records and data should a mobile device be lost or stolen.	The work contributed to assurance in respect of information governance / information security within the School.
People: Schools Financial Value Standards – School D Information Governance/ Information Security Themed Review	<p>It is acknowledged that the School Data Controllers Certificate lists the nature and type of organisations that the School may share confidential data / information with. However, it is not clear as to how and in what manner data / information should be shared with organisations listed in the Certificate.</p> <p>The Privacy Notice did not include reference to the use of CCTV images as per the ICO recommendation; therefore, parents and staff are not informed of the purpose of the images or their retention periods.</p> <p>Whilst it is acknowledged that the School maintains and regularly reviews its risk register, there was insufficient evidence that information security related risks had been considered and/or included within the risk register.</p>	The work contributed to assurance in respect of information governance / information security within the School.
People: Troubled Families – Quarterly validation	Grant claim validation.	The work contributes to assurance in respect of financial management.
People: Assessment & Care – Governance Arrangements	To provide assurance that the governance, controls and risk management arrangements associated with adult assessment and care financial management income processes are operating efficiently and effectively.	The work contributes to assurance in respect of financial management.

## Appendix 4

### Projects and Work In Progress

Client Sponsor	Title of Audit or Nature of Audit Activity	Key Objective(s)	Status / Comment
Core Services	Purchase to Pay	In order to provide assurance that the control framework in respect of the Purchase to Pay System is operating effectively and efficiently, a walkthrough of the key processes and procedures operating as part of the Purchase to Pay control framework is required.	Substantially Complete
Core Services	Pay, Employee Admin & Organisational Management	To undertake a risk based review of the adequacy and effectiveness of the Pay, employee Admin & Organisational Management system.	Report agreed and to be issued as final
Core Services	Treasury Management	In order to provide assurance that the control framework in respect of the Treasury Management System is operating effectively and efficiently, a walkthrough of the key processes and procedures operating as part of the Treasury Management control framework is required.	Draft report issued, post audit meeting arranged
Core Services	Main Accounting	In order to provide that the control framework in respect of the Main Accounting System is operating effectively and efficiently, a walkthrough of the key processes and procedures operating as part of the Main Accounting System control framework is required.	Substantially Complete
Core Services	Income	In order to provide assurance that the control framework in respect of the Income System is operating effectively and efficiently, a walkthrough of the key processes and procedures operating as part of the Income control framework is required.	Substantially Complete
Communities	Disabled Facilities Grants	To provide assurance that the policy and procedures in respect of disabled facilities grants are being applied correctly and resources effectively support the anticipated demand.	Substantially Complete