

AUDIT COMMITTEE – 20TH JULY 2017

**INTERNAL AUDIT QUARTERLY REPORT 2018/19
QUARTER ENDED 30TH JUNE 2018**

Executive Summary

1. Internal Audit work undertaken during the period identified no fundamental management action (Para. 4.1).
2. The internal control assurance opinion overall is considered to be adequate, based upon the results of the work undertaken during the quarter (Para. 6.1 / Appendix 1).
3. Of the 47 management actions followed-up, 13 (28%) had been implemented by the original target date, 2 (4%) had been completed after the target date, 8 (17%) had not yet been completed but had revised dates agreed, 8 (17%) had not reached their target date and 16 (34%) were waiting response by Management (Para. 4.4).
4. In relation to the Barnsley MBC audit plan, actual days delivered was 448 days which is in line with the profile of work planned. (Para.7.7 & Appendix 2)
5. Quarterly and full year performance of the function is satisfactory with the majority of PIs meeting or exceeding target levels. (Para 8.2 & Appendix 3).

AUDIT COMMITTEE – 20TH JULY 2017

**INTERNAL AUDIT QUARTERLY REPORT 2018/19
QUARTER ENDED 30TH JUNE 2018**

1. Purpose of Report

- 1.1 This report provides the Audit Committee with a comprehensive overview of the key activities and findings of Internal Audit based on the Service's work covering the whole of the first quarter to ensure that the Audit Committee is provided with the most up to date position. This report provides the Audit Committee with information relevant to its responsibilities within its terms of reference (terms of reference items (a), (b), (h), (i) and (k)).
- 1.2 The report covers:-
- i. The issues arising from completed Internal Audit work in the period (section 4 and Appendix 1);
 - ii. Matters that have required investigation (section 5);
 - iii. An opinion on the ongoing overall assurance Internal Audit is able to provide based on the work undertaken regarding the adequacy and effectiveness of the Authority's internal control environment (section 6);
 - iv. Progress on the delivery of the Internal Audit Plan for the period up to the end of the first quarter of 2018/19 year (section 7 and Appendix 2);
 - v. Details of Internal Audit's performance for the quarter utilising Performance Indicators (PIs) (section 8 and Appendices 3 and 4).

2. Recommendations

2.1 It is recommended that the Audit Committee:-

- i. consider the issues arising from completed Internal Audit work in the period along with the responses received from management;**
- ii. note the assurance opinion on the adequacy and effectiveness of the Authority's internal control framework based on the work of Internal Audit in the period to the end of June 2018;**
- iii. note the progress against the Internal Audit plan for 2018/19 for the period to the end of June 2018; and**
- iv. Consider the performance of the Internal Audit Service for the first quarter.**

3. Introduction / Background

- 3.1 Internal Audit is a key contributor to the assurances the Audit Committee requires regarding the adequacy and effectiveness of the internal control, risk and governance environment of the Authority. That assurance is provided through planned work and responding to urgent matters and changes in priority and risk. It is important that all Internal Audit activities are undertaken with due regard to risk and the risk issues prevailing at the time.
- 3.2 In order to fulfil its responsibilities the Audit Committee needs to be satisfied that the Internal Audit Service is undertaking its work as planned, responding appropriately to client demands, operating to the required professional standards and obtaining the necessary responses from management following Internal Audit work.
- 3.3 In accordance with statutory best practice provided by the Public Sector Internal Audit Standards, there is a requirement that the Head of the Internal Audit function prepares an annual report to the appropriate member body. This requirement is best supported through regular reports during the year, providing, amongst other things, ongoing assurances on the adequacy and effectiveness of the Authority's framework of governance, risk management and control.
- 3.4 For the Authority, the appropriate member body is the Audit Committee.

4. Key Issues Arising From Internal Audit Work in the Period Ended 30th June 2018

- 4.1 Internal Audit work undertaken during the period made no fundamental recommendations. However, five significant recommendations were made during the period. Further details on these can be found at Appendix 1 Table A.

Follow-Up of Report Management Actions

- 4.2 Table 1A identifies the total number of reports analysed by the assurance opinion given and the total number of management actions agreed.
- 4.4 Table 1B shows the number of management actions followed-up in the quarter. Of the 47 management actions followed-up, 13 (28%) had been implemented by the original target date, 2 (4%) had been completed after the target date, 8 (17%) had not yet been completed but had revised dates agreed, 8 (17%) had not reached their target date and 16 (34%) were waiting response by Management.
- 4.5 Of the 16 waiting management response, 9 are significant in status. An analysis can be found below:

IA Review	Number of Significant Management actions overdue at 30th June 2018
Workforce Development Fund	6
Establishment Cash Visit - Museums	2
SFVS – Schools Procurement Themed Review	1

Total	9
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- 4.6 Internal Audit continues to get very good co-operation from management including the Senior Management Team (SMT) and as such is able to closely monitor any implications that may arise from a delay in the implementation of management action.
- 4.7 As previously reported to members, Internal Audit is working closely with management to monitor the general position with regards the implementation of management actions and to establish the reasons behind any delays. In an effort to provide more transparency to Executive Directors on the status and progress of their management actions, Internal Audit continues to issue monthly updates. This is in addition to the quarterly performance reports currently presented to SMT.

5. Fraud, Investigations and the Corporate Anti-Fraud Team

- 5.1 The Audit Committee receives a separate report covering the detail of fraud and irregularity investigations undertaken, the preventative work and the general activities and work plan of the Corporate Anti-Fraud Team.
- 5.2 The overall assurance opinion takes into account any control issues arising from investigations or anti-fraud work. No issues are required to be brought to the Committee's attention at this time.

6. Head of Internal Audit's Internal Control Assurance Opinion

- 6.1 Based on the audits reported in the period, an overall **adequate** assurance opinion is considered to be appropriate.
- 6.2 As referred to above, the percentage of audit report management actions not implemented, and/or requiring a revised implementation date is not decreasing. However, the number of substantial assurance opinions given this quarter is 2 (50%) as per appendix 1. This has been considered in assessing the overall assurance opinion. In addition to this the outcomes from our non assurance opinion work has been considered.
- 6.5 It does however need 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 only reasonable and not absolute assurance is given.
- 6.4 The assurance opinion is supported by the knowledge that the underlying framework of financial and other controls, encompassing the Council's Financial Regulations, various codes of practice, procedures and other financial governance arrangements, periodically reviewed by both Internal and External Audit, are appropriate and working satisfactorily.
- 6.5 The general context and impact of the significant savings and service changes that have been implemented arising from Future Council form a core element of Internal Audit work planning to ensure that the control, risk and governance framework remains adequate and effective.

7. Internal Audit Plan 2018/19 - Progress to the end of June 2018

- 7.1 Internal Audit utilise a risk-informed approach to planning and delivering its work. This approach seeks to ensure that the key risks facing the Authority are considered and covered, where appropriate, by Internal Audit work. In turn the annual work programme is planned indicatively across the year. This enables quarterly monitoring of progress against planned work and the utilisation of Audit resources.
- 7.2 It is however important to recognise and appreciate that whilst a significant proportion of audit work is planned, there are many 'external' factors that can and do impact on precisely when pieces of work are actually undertaken and completed and indeed their detailed scope. For this reason the monitoring of the audit plan in each quarter can only provide an indicative picture of progress overall. Individual jobs are monitored on a job-by-job and week-by-week basis utilising the audit management system.
- 7.3 Table C contains reference to the audit jobs that are categorised as 'works in progress as at the end of Q1. The progression of these jobs is closely monitored and there will be an updated position presented to Audit Committee Members at the end of Q2 in 2018/19.
- 7.4 Appendix 2 shows the progress of the plan up to the end of June 2018, analysed by Directorate / Service.
- 7.5 At the beginning of the year provision is made in the allocation of audit resources for responsive work. 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 provision.
- 7.6 The following audits have been deferred, added to or deleted from the audit plan, as agreed in conjunction with management:

Directorate / Service	Audit Assignment Title	Deferred / Added / Deleted
Communities	SAP Concur System - Design and Implementation	Added - An unplanned request for audit consultancy was made by the Service Director, Information Technology to form part of the project board for the development and implementation of an automated mileage and expense management solution.
Core	Occupational Road Risk	Deleted – due to software and process update to mileage and express solution currently in operation.
Place	HCA Grant Funding 2018/19	Added – reciprocal audit arrangement with Doncaster MBC
Place	Weighbridge New Cash Receipting and Recording Follow up	Added A targeted review to understand and evidence the new cash receipting process recently implemented at Smithies Depot. This revised process was a management action from IA's 2016/17 review.

7.7 The position at the end of the first quarter for the audit days allocated to BMBC shows that they are in line with those of the profile. (Appendix 2).

8. Internal Audit Function and Performance

8.1 The Service uses a range of performance indicators to monitor operational efficiency. Quarterly performance of the function is satisfactory and the majority of PI's for the year are either on or exceed target levels. The only indicator that is below target was a result of the client response being delayed. A list of the performance indicators (PIs) for 2018/19 is attached at Appendix 3.

8.2 For the first quarter of the year, at the point of preparing this report 4 feedback sheets have been received. All have been noted as very good or good. All other feedback questionnaires have been chased with the appropriate senior officer, but were not returned.

9. Local Area Implications

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

10. Consultations

10.1 All audit reports are discussed with the main auditee. Individual audit reports are provided to the appropriate Executive Director and/or Service Director to apprise him/her of key issues raised and remedial actions agreed.

10.2 No specific consultation has been necessary in the preparation of this quarterly report.

11. Compatibility with European Convention on Human Rights

11.1 In the conduct of audit work and investigations particularly, Internal Audit operates under the provisions of the Data Protection Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

12. Reduction of Crime and Disorder

12.1 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 are made. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

13. Risk Management Considerations

13.1 The underlying purpose of the work of Internal Audit is to address and advise on key risks facing management and, as such, risk issues are inherent in the body of the report.

13.2 The Service's operational risk register includes the following risks which are relevant to this report:

- Inappropriate use of and management of, information to inform and direct service activities;
- Inability to provide a flexible, high performing and innovative service; and
- Poor levels of customer satisfaction.

All of these risks have been assessed and remain within the tolerance of the Service.

An essential element of the control (and on-going) management of these risks is the provision of update reports to the Audit Committee and the assurance this provides.

14. Employee Implications

14.1 There are no employee implications arising from this report.

15. Financial Implications

15.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function are included within the Authority's base budget.

16. Appendices

16.1 Appendix 1 - Key issues arising from completed Internal Audit work and audit activity during the period.
Appendix 2 - Internal Audit Plan 2018/19 – Position as at 30th June 2018
Appendix 3 - Internal Audit Performance Indicators for the Quarter Ended 30th June 2018

17. Background Papers

17.1 Various Internal and External Audit reports, files and working papers.

Officer Contact: Head of Internal Audit & Corporate Anti-Fraud
Telephone No: 01226 773241
Date: 11th July 2018

TABLE A - Completed Audits / Final Reports Issued During the Period Ending 30th June 2018

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued	Other Action
Core: Housing Rents	The review concluded with a substantial assurance opinion and no recommendations were made, based on the audit work undertaken.	Substantial	F - 0 S - 0 MA - 0	10.04.2018	To follow up all management actions.
People: Assessment & Care – Governance Arrangements	<p>The key issues identified during the review relate to:</p> <ul style="list-style-type: none"> • A need for the Service to implement a programme of formal audits of Adult Social Care cases to confirm that the correct procedures have been followed, with all financial streams, including income streams, being correctly recorded and recharged. • A need for the Service to review and formalise roles and responsibilities with regards to finance related activity and Strategic Finance support provided to the Service in line with the Core Offer from Finance and agreeing this with Finance. This to include a single point of contact within the Service to deal with funding queries from the Clinical Commissioning Group (CCG). • The recording of income streams on the ERICA and Controcc systems to continue to be reviewed and improved by the Service to identify and action any unnecessary duplicate data entry and to enable management to easily identify the total cost of an individual's care package and the contributions (if any) from health and the service user. • The Service should review and improve the process for invoicing the CCG for Continuing Health Care (CHC) and Funded Nursing Care (FNC) cases to ensure timely invoicing and payment. 	Adequete	F - 0 S - 4 MA - 0	10.05.2018	To follow up all management actions.
Core: Settlement Agreements	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 entered into with the authorisation of	Substantial	F - 0 S - 1 MA - 2	18.05.18	To follow up all management actions.

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued	Other Action
	relevant senior managers.				

KEY –Management Actions - Fundamental ‘F’ Significant ‘S’ Merits Attention ‘MA’

TABLE B - Details and Outcome of Other Audit Activities Not Producing a Specific Assurance Opinion

Audit Work Completed	Details	Contribution to Assurance
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.
Core/People: Milefield Primary School Focused Internal Governance Review	A focused internal governance review of Milefield Primary School was requested by the BMBC Strategic Finance Manager as a result of concerns raised to him by the Local Leader of Education (LLE) regarding the appropriateness of decision making and governance arrangements at the school.	The work contributes to assurance in respect of governance arrangements.
People: Troubled Families – Quarterly validation	Grant claim validation.	The work contributes to assurance in respect of financial management.

Table C - Projects and Work In Progress

Client Sponsor	Title of Audit or Nature of Audit Activity	Key Objective(s)	Status / Comment
Public Health	Public Health Governance Preparation	To provide assurance that the quality control checks and the oversight arrangements provided by the Public Health Quality & Governance Group meets the requirements of the Care Quality Commission	Being Scoped
Core Services	Commissioning, Procurement & Contracts - Compliance Review	To provide assurance that the established commissioning, procurement and contract management arrangements are operating efficiently and effectively and that spending decisions provide for best value. The application of controls and procedures will be examined across the Council as a whole on a risk basis. The reviews will cover: Pre-procurement / commissioning; Procurement Process (compliance with CPRs) and post procurement (contract management).	Being Scoped
Assets	Carbon Reduction Commitment Energy Efficiency Scheme	To provide independent validation of the energy data prior to submission.	Ongoing
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.	Draft report issued for discussion and agreement
Place	Home England Compliance Grant Verification	Grant Claim Audit Certification	Ongoing
Core Services	Purchase to Pay (Walk Through)	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. This forms part of the planned coverage of the Council's core financial systems.	Final draft report issued to client
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.	Final draft report issued to client
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 for discussion and agreement

Client Sponsor	Title of Audit or Nature of Audit Activity	Key Objective(s)	Status / Comment
		This forms part of the planned coverage of the Council's core financial systems.	
Core Services	Main Accounting (Walk Through)	<p>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.</p> <p>This forms part of the planned coverage of the Council's core financial systems.</p>	Draft report issued for discussion and agreement

Table D – Other Audit Work Undertaken

Audit Activity	Description
Follow-up of Outstanding Management Actions	Regular work undertaken to follow-up outstanding management actions.
Attendance at Steering / Working Group	Information Governance Board, Commissioning, Procurement & Contracts Working Group, Housing Property Repairs & Improvement Board, IT Steering Group, Capital Programme Oversight Board, SharePoint Board, IRM Replacement Project Board.
Liaison, Planning and Feedback	Meeting and corresponding with Service and Executive Directors and Heads of Service regarding progress of audit work, future planning and general client liaison.
Advice	General advice to services regarding controls, risk or governance matters. Such work often does not require formal reporting but occasionally will escalate into a specific piece of audit work for which a new job will be created.
Audit Committee Support	Time taken in the preparation of Audit Committee reports, Audit Committee Member training, general support and development.
Corporate Whistleblowing	General time taken in providing advice and the initial consideration of matters raised. Also includes the review of arrangements.
Corporate Matters	Covering time required to meet corporate requirements, i.e. corporate document management, service business continuity and health and safety.

Table 1A

Summary Activity

All Audit Reports

Assurance Opinion	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative
Substantial	2 (50%)				
Adequate	2 (50%)				
Limited	0 (0%)				
None	0 (0%)				
TOTAL REPORTS	4				
Other Reports	1				

Total Number of Management Actions

Number of Management Actions	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative
Fundamental	0 (0%)				
Significant	5 (71%)				
Merits Attention	2 (29%)				
TOTAL	7				

Table 1B

Management Actions Followed-up by Internal Audit

Quarter 1						
Recommendation Classification	Followed-up	Followed-up not yet due	Completed by due date	Completed after target date	Not yet completed – Revised date agreed	Missed target date, awaiting response from management
Fundamental	0		0	0	0	0
Significant	22	4	3	0	6	9
Merits Attention	25	4	10	2	2	7
TOTAL	47	8	13	2	8	16

INTERNAL AUDIT PLAN 2017/18 – Position as at 30th June 2018

Directorate	Original 2018/19 Plan	Revised 2018/19 Plan	Actual Days
Communities	133	133	25
People	111	111	22
Place	40	51	20
Public Health	25	25	1
Core Services	397	369	101
Council Wide	142	152	72
Corporate	152	178	37
Provision for Provision of DPO	30	30	22
Responsive	50	43	0
Barnsley MBC Sub Total	1,080	1092	300
Corporate Anti-Fraud Team	580	558	148
Sub Total	1,600	1,650	448
External Clients	1,524	1,581	382
Total Chargeable Planned Days	3,184	3231	830

INTERNAL AUDIT PERFORMANCE INDICATORS FOR 2018/19

Ref.	Indicator	Frequency of Report	Target 2018/19	This Period	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of questionnaire received noted “good” or “very good” relating to work concluding with an audit report.	Quarterly	95%	100%	100%
2.	<u>Business Process Perspective:</u>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report. (Quarter 1 2/3 reports)	Quarterly	80%	66%	66%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	76%	76%
2.3	Average number of days lost through sickness per FTE (Cumulative 41.4 days in total)	Quarterly	6 days	0 days	0 days
3.	<u>Continuous Improvement Perspective:</u>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
4.	<u>Financial Perspective:</u>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within Budget	Yes	Yes

Performance Indicator Definitions and Supporting Information

PI Ref	Indicator	Comments
1.1	Percentage of favourable auditee questionnaire responses received (noted “good” or “very good”) relating to work concluding with an audit report.	Questionnaires are left at the end on each audit job resulting in a formal report. The questionnaire asks 14 specific questions covering the effectiveness of audit planning, communication, timing and quality of the audit report. An overall assessment is sought as to the overall value of the audit. This is the answer used for this PI. All questionnaires are analysed in detail to ensure all aspects of the audit process are monitored and improved.
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	This is an operational PI to ensure the timely issue of final reports. This PI is influenced by the availability of senior Internal Audit staff to clear the report and any issues the Service’s quality assessment process highlights along with the availability of the auditee.
2.2	Percentage of chargeable time against total available.	A key operational measure of the ‘productivity’ of Audit staff taking into account allowances for administration, general management, training and other absences. This PI will reflect the % chargeable time of staff in post, net of vacancies.
2.3	Average number of days lost through sickness per FTE.	A corporate PI to measure the effectiveness of good absence / attendance management.
3.1	Personal development plans for staff completed within the prescribed timetable.	IA place a high level of importance on staff training and continuous development and are committed to ensure all staff have their own training plans derived from the personal development plan process.
4.1	Total Internal Audit costs v budget.	This is a simple overall measure to note whether the Service’s expenditure for the year has been kept within the budget.

