

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

AUDIT COMMITTEE – 17th APRIL 2019

INTERNAL AUDIT PROGRESS REPORT 2018/19

1. Purpose of this report

- 1.1 The purpose of this report is to provide a summary of the Internal Audit activity completed, and the key issues arising from it, for the period from 1st January 2019 to 31st March 2019.
- 1.2 To provide information regarding the performance of the Internal Audit function during the period.

2 Background information

- 2.1 The Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements, including matters such as internal control and risk management. The reports issued by internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
- 2.2 At the end of the financial year, Internal Audit will produce an Annual Internal Audit Report, which will provide our overall opinion on the adequacy of the Council's control environment and compliance with it during the year.

3 Recommendations

- 3.1 **It is recommended that the Audit Committee considers the assurances it needs on the effectiveness of the Authority's internal control, risk and governance arrangements through the work of Internal Audit by:-**
 - i. **considering the issues arising from completed Internal Audit work in the period along with the responses received from management;**
 - ii. **noting 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 March 2019;**
 - iii. **noting the progress against the Internal Audit plan for 2018/19 for the period to the end of March 2019; and**
 - iv. **considering the performance of the Internal Audit Service for the fourth quarter.**

4 Local Area Implications

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

5 Consultations

5.1 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.

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

6 Compatibility with European Convention on Human Rights

6.2 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.

7 Reduction of Crime and Disorder

7.1 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.

8 Risk Management Considerations

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

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

- Ensuring the appropriate use of and management of, information to inform and direct internal audit activities;
- Able to provide a flexible, high performing and innovative service; and
- Ensuring continuously high levels of customer satisfaction.

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

8.4 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.

9 Employee Implications

9.1 There are no employee implications arising from this report.

10 Financial Implications

10.1 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.

11 Appendices

Appendix 1 - Key To Internal Audit Assurance Gradings & Classification of Management Actions.

12 Background Papers

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

Officer Contact: Head of Internal Audit & Corporate Anti-Fraud

Telephone No: 01226 773241

Date: 8th April 2019



Barnsley Metropolitan Borough Council

Internal Audit Progress Report

Audit Committee

17th April 2019

INTERNAL AUDIT QUARTERLY PROGRESS REPORT 2018/19
1st January 2019 to 31st March 2019

Purpose of this report

This report has been prepared to inform the Committee on the Internal Audit activity for the period 1st January 2019 to 31st March 2019, bringing attention to matters that are relevant to the responsibilities of the Authority's Audit Committee.

The report also provides information regarding the performance of the Internal Audit function during the period.

2018/19 Internal Audit Plan Progress

The following tables show the progress of the internal audit plan up to the end of March 2019, analysed by the number of plan assignments producing a report and audit days delivered by Directorate / Service.

Position as at 31st March 2019 – Audit Days Delivered

Directorate	Original 2018/19 plan days	Revised 2018/19 plan days	Actual days (% of revised days)
Communities	103	88	122 (137%)
People	111	111	155 (140%)
Place	40	55	124 (225%)
Public Health	25	25	17 (68%)
Core Services	397	300	312 (104%)
Council Wide	142	152	235 (155%)
Corporate	152	178	177 (99%)
HoIA role as DPO	30	30	65 (217%)
DPO Assurance	30	30	11 (37%)
Responsive	50	111	
Barnsley MBC	1,080	1,080	1,218 (113%)

Corporate Anti-Fraud Team	580	558	484 (87%)
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Sub Total	1,660	1,638	1,702 (104%)
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External Clients	1,524	1,581	1,403 (89%)
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Total Chargeable Planned Days	3,184	3,219	3,105 (96%)
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Position as at 31st March 2019 – Plan Assignments

Directorate	Assignments expected to be completed to date	Actual assignments completed
Communities	2	1
People	4	3
Place	2	2
Public Health	0	0
Core Services	13	9
Total	21	15

Whilst there is a variance of 6 assignments completed, 5 are in draft report stage, see Work in Progress at page 6 and meetings are scheduled with officers to discuss the outcomes. In addition to this, we are mid-way through the Core – Procurement Compliance Review. This will be reported to Officers and Members before the Head of Internal Audit gives his annual opinion.

Changes to the 2018/19 Internal Audit Plan

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.

During the period 1st January to 31st March, there has been one addition to the plan. This relates to the Glassworks Phase II Governance Review. This review commenced during quarter four 2018/19 and will be completed quarter one 2019/20.

Final Internal Audit reports issued

We have finalised 4 audit reports since the last Audit Committee meeting. The following table provides a summary of assurances and the number and categorisation of recommendations included in these reports:

Directorate- Audit Assignment	Assurance Opinion	Number of recommendation raised:			Total	Agreed
		Fundamental	Significant	Merits Attention		
People - Future Directions	Limited ¹	0	7	6	13	13
People - Management of Exclusion - Data Quality and Security	Limited ¹	1	11	3	15	15
Core - E-Enabled Leave	Adequate ¹	0	5	3	8	8
Place – Follow Up of Unannounced Visits – Cash Collection	Adequate ¹	0	2	1	3	3
Place - Home to School Transport	Adequate ¹	0	4	5	9	9
Total		1	29	18	48	48

Please note that final audit reports are available to Audit Committee members on request.

¹ We have included definitions of the gradings for the assurance opinion and the recommendations in Appendix 1 to this report.

Internal Audit reports providing a limited or no assurance opinion

A summary of the key issues included in audit reports finalised during the period providing a Limited or No Assurance opinion is as follows:

Audit Assignment	Key Issues
Place – Follow Up of Unannounced Visits – Cash Collection	<ul style="list-style-type: none"> ➤ This follow up review sought to provide assurances that agreed Management actions from 2016/17 & 2017/18 had been implemented and were being applied consistently and satisfactory across cash receiving sites. ➤ Four sites were visited for review. Three on an unannounced basis and one on an arranged basis. ➤ The audit concluded that at the sites chosen for review have embedded and consistently applied the majority of previously agreed Management actions with the exception of E-Return checking/completing and checks and evidencing of daily income/Z readings. ➤ Management have responded by agreeing to follow up and collate best practice guidance issued to services and implement this exercise on an annual basis. ➤ An email reminder will be issued by Commercial Services to ensure that cash receiving sites have deputies in place to carry out the end to end process including the IMS entry.
People - Future Directions	<ul style="list-style-type: none"> ➤ This review has focused on, and identified weaknesses in controls relating to, the financial procedures for the Service. It is important that the Future Directions Service clarifies and optimises the services and support both Business Support and Financial Services are able to provide. ➤ We consider the key findings from this review to be: <ul style="list-style-type: none"> • The authorised signatory list for BMBC officers permitted to make payments on behalf of BMBC does not include the Future Directions Team Leader. • There is currently no financial policy in place as required by the Children Act 1989 guidance and regulations Volume 3: Planning transition to adulthood for care leavers. • There is an inconsistent ability to monitor how much is being spent on each care leaver. • The lack of a Business Support Core Offer (SLA). • 5 care leavers selected for the audit sample have been provided with copies of their latest Pathway Plans. • Changes to staff that hold procurement cards have not been notified to Financial Services and Future Directions staff were not confident in procedures to follow with regards to procurement cards. • Receipts/ information are not always obtained to support expenditure on procurement cards. ➤ Management have reacted positively to the audit findings with all actions apart from 2 having been implemented. The 2 remaining actions relating to the financial policy and procurement cards were in the process of being implemented and a revised completion date of 30th April has been provided.

Audit Assignment	Key Issues
<p>People - Management of Exclusion - Data Quality and Security</p>	<ul style="list-style-type: none"> ➤ This audit was commissioned to assist management in their decision whether to continue with the current arrangements whereby Springwell Learning Community perform exclusion activities on behalf of the Local Authority or to bring these activities in-house. ➤ We consider the key findings from this review to be: <ul style="list-style-type: none"> • The absence of a formal contract in place between the Local Authority and Springwell; • No formal reporting arrangements for the management of exclusions; • Schools are using historic versions of the standard exclusion forms; • Exclusion forms are not always fully completed; • There is no provision to ensure that the exclusions data as recorded on the Authority's Capita One System agrees to the Census data submitted to the DfE; • The timeliness of recording exclusions data was not being recorded and monitored; • There are more exclusion reasons recorded on the Capita One System to those stipulated by the DfE; • The pilot exercise to transfer exclusion data from the Horizon's Community College data management system (SIMS) directly into Capita One has identified some issues, which should be addressed prior to further rollout; • It needs to be ensured that schools and academies are submitting their exclusion data via secure transfer methods to Springwell, which comply with GDPR requirements. Current methods include secure email (Zip file), Royal Mail, and BMBC Internal Post; • Details of the education provided for sixth day alternative education provision arrangements is not always recorded at the schools or academies and Springwell is not always notified of the details for their records. ➤ 3 actions had been implemented prior to the issue of the final report and the remaining actions are not yet due for implementation.
<p>Core - E-Enabled Leave</p>	<ul style="list-style-type: none"> ➤ the key findings were concerned with compliance lapses in relation to the process for adjusting employee leave quotas following changes to shift patterns/contractual hours, time delays in capturing employee sickness absence and non-compliance with corporate policy in relation to Christmas Closedown leave. ➤ it was pleasing to note that 4/5 of the Significant recommendations included in the report were actioned before the final report was issued.

Audit Assignment	Key Issues
Place - Home to School Transport	<ul style="list-style-type: none"> ➤ It was evident from this audit that Service Management are self-aware and have been proactive in developing improvements to the Authority's strategic approach for assessing travel assistance applications and identifying and implementing the most appropriate and cost effective travel assistance. ➤ This audit has identified some areas requiring improvement, which we recognise were work in progress at the time of the audit. We consider the key actions required from our review findings to be as follows: <ul style="list-style-type: none"> • Documenting Home to School Transport procedures. • Determining, formalising and implementing the process for scheduling payments and checking school attendance to confirm eligibility for Personal Transport Budgets. • Developing, managing and monitoring a comprehensive action plan for independent travel training to ensure that a robust process and control framework is in operation. • Ensuring that travel trainers are up to task and competent to undertake the travel training.

Details and outcome of other Internal Audit activities concluded in the period not producing a specific assurance opinion

Audit Work Completed	Details	Contribution to Assurance
Place - URBACT Project TechRevolution Phase 1 - Grant Claim Certification	Completion of grant claim validation	The work contributes to assurance in respect of financial management and grant claims
Review of Contract Procedure Rules (CPRs)	Advice provided to review and update the Council's Contract Procurement Rules.	The purpose of the review was to streamline the CPRs whilst operating within the Legal framework to align / reflect the Council's Strategic priorities, introduction of the Strategic Procurement Team, procurement model implemented, commercial strategy, revised roles and responsibilities with a view to ensuring efficiencies and VFM are realised.
Core: Advice	Advice provided to Finance – SAP Access & Separation of Duties.	The work contributes to assurance in respect of financial management
Core – VFM Workshop	Support and advice given to officers at a Council Tax Value for Money Workshop.	The work contributes to assurance in respect of financial management
Place: Advice	Advice provided to advise on the controls in place regarding the Staff and Public Car Parking Permits	The work contributes to assurance in respect of financial management
Place: Advice	Advice provided regarding the Council's Security Services contract	The work contributes to assurance in respect of financial management
People - Advice	Advice provided to the Youth Offending Team regarding their petty cash arrangements	The work contributes to assurance in respect of financial management
Data Protection Officer	Completion of the following reviews commissioned by the DPO: <ul style="list-style-type: none"> Records Management 	The work contributes to the DPO's assurance opinion

Other Internal Audit work undertaken

Audit Activity	Description
Follow-up of Recommendations	Regular work undertaken to follow-up recommendations made.
Attendance at Steering / Working Groups	<ul style="list-style-type: none"> Information Governance Board Commissioning, Procurement & Contracts Working Group Housing Property Repairs & Improvement Board Digital Leadership Team Capital Programme Oversight Board SharePoint Board Public Health Quality & Governance Group
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.
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.

Work in progress

The following table provides a summary of audits in progress at the time of producing this report:

Directorate- Audit Assignment	Audit Planning	Work in Progress	Draft Report
Core – Housing Benefits			✓
Core – Council Tax & Non-Domestic Rates			✓
Core – Purchase To Pay			✓
Core – Procurement Compliance Review		✓	
Communities – IT Project/ Programme Management			✓
People – Residential Commissioning of Placements / Fostering			✓
Glassworks Phase II Governance Review		✓	

Follow-up of Internal Audit report management actions

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 a detailed monthly status update. This is in addition to the quarterly performance reports currently presented to SMT.

It is pleasing to note that officers are actively engaging with Internal Audit, regarding the follow up of their agreed actions. This can be demonstrated by the improved statistics for the period under review.

The following table shows the status of internal audit management actions by Directorate due for completion during the period:

Analysis of Agreed Management Actions Followed Up in the Period 1st January to 31st March 2019

Rec. Classification	Due for completion this period	Completed in period	Not yet completed – Revised date agreed	Not yet completed / No management response	Number not yet due	Number Followed up in period
Communities						
Fundamental	0	0	0	0	0	0
Significant	3	2	1	0	3	6
TOTAL	3	2	1	0	3	6
Place						
Fundamental	1	0	0	1	0	1
Significant	2	2	0	0	2	4
TOTAL	3	2	0	1	2	5
People (excl Maintained Schools)						
Fundamental	0	0	0	0	1	1
Significant	1	1	0	0	11	12
TOTAL	1	1	0	0	12	13
Maintained Schools						
Fundamental	1	0	0	1	0	1
Significant	11	9	0	2	0	11
TOTAL	12	9	0	3	0	12
Core						
Fundamental	0	0	0	0	1	1
Significant	9	6	1	2	11	20
TOTAL	9	6	1	2	12	21
Public Health						
Fundamental	0	0	0	0	0	0
Significant	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0
OVERALL TOTAL	28	20	2	6	29	57
		28				

Internal Audit performance indicators and performance feedback for 2018/19

Internal Audit's performance against a number of indicators is summarised below.

Ref.	Indicator	Frequency of Report	Target 2018/19	This Period	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	4	100% (13 responses received)
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. (5 report this period)	Quarterly	80%	100%	85%
	Percentage of chargeable time against total available.	Quarterly	73%	68%	71%
	Average number of days lost through sickness per FTE (Cumulative 24.5 days in total)	Quarterly	6 days	0.4 days	1.6 days ²
	<u>Continuous Improvement Perspective:</u>				
	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

Quarterly and full year performance of the function is satisfactory with the all performance indicators (PIs) meeting or exceeding target levels.

² Please note that the sickness figures exclude a member of staff from the Corporate Anti-Fraud Team who is currently on long term absence.

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.

Head of Internal Audit's Internal Control Assurance Opinion

The Head of Internal Audit and Corporate Anti-Fraud must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Based on the audits reported in the period, an overall **adequate** assurance opinion is considered to be appropriate.

A summary of our quarterly opinions for the year to date is as follows:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Assurance Opinion	Adequate	Adequate	Adequate	Adequate

Consideration of our overall opinion takes the following into account:

- results from the substantive audit assignments we have completed during the period;
- outcomes from our audit work not producing an assurance opinion;
- an assessment as to the timely implementation of internal audit report management actions.

Fraud, Investigations and the Corporate Anti-Fraud Team

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.

Audit Contacts

Contact	Title	Contact Details
Rob Winter	Head of Internal Audit & Corporate Anti-Fraud	Tel: 01226 773241 Mobile: 07786 525319 Email: RobWinter@barnsley.gov.uk
Louise Booth	Audit Manager	Tel: 01226 773190 Mobile: 07796 305837 Email: LouiseBooth@barnsley.gov.uk

KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF MANAGEMENT ACTIONS

1. Classification of Management Actions

Fundamental	A management action requiring immediate attention – imperative to ensuring the objectives of the system under review are met.
Significant	A management action requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
Merits Attention	A management action where action is advised to enhance control or improve operational efficiency.

2. Assurance Opinions

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial Assurance	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Adequate Assurance	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.
NEGATIVE OPINIONS	Limited Assurance	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	No Assurance	Significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.