

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

**AUDIT COMMITTEE – 22<sup>nd</sup> July 2019**

### **INTERNAL AUDIT PROGRESS REPORT 2019/20**

#### **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 1<sup>st</sup> April 2019 to 30<sup>th</sup> June 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 June 2019;**
  - iii. **noting the progress against the Internal Audit plan for 2019/20 for the period to the end of June 2019; and**
  - iv. **considering the performance of the Internal Audit Service for the first 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 advise 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.

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**Date:** 10<sup>th</sup> July 2019



# **Barnsley Metropolitan Borough Council**

## **Internal Audit Progress Report**

**Audit Committee**

**22<sup>nd</sup> July 2019**

**INTERNAL AUDIT QUARTERLY PROGRESS REPORT 2019/20**  
**1<sup>st</sup> April 2019 to 30<sup>th</sup> June 2019**

**Purpose of this report**

This report has been prepared to inform the Committee on the Internal Audit activity for the period 1<sup>st</sup> April to 30<sup>th</sup> June 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.

**2019/20 Internal Audit Plan Progress**

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

**Position as at 30<sup>th</sup> June 2019 – Audit Days Delivered**

Directorate	Original 2019/20 plan days	Actual days (% of revised days)
Communities	<b>102</b>	11
People	<b>128</b>	13
Place	<b>87</b>	16
Public Health	<b>11</b>	10
Core Services	<b>408</b>	94
Council Wide	<b>165</b>	41
Corporate	<b>177</b>	46
Responsive	<b>40</b>	0
Barnsley MBC	1,118	231 (21%)
Corporate Anti-Fraud Team	<b>572</b>	129 (23%)
Barnsley MBC Internal Audit Total	1,690	360 (22%)
HolA role as DPO	<b>50</b>	27 (54%)
DPO Assurance	<b>45</b>	41 (91%)
Sub Total	95	68 (72%)
External Clients	1,215	284 (23%)
Total Chargeable Planned Days	3,000	712 (24%)

## Position as at 30<sup>th</sup> June 2019 – Plan Assignments

Directorate	2019/20 plan assignments	Assignments expected to be completed to date	Actual assignments completed
Communities	3	1	0
People	4	1	0
Place	3	1	1
Public Health	0	0	0
Core Services	15	3	3
Total	25	6	4

Whilst there is a variance of 2 assignments completed, these are in draft report stage, see Work in Progress at page 6. Meetings are scheduled with officers to discuss the outcomes and finalise the reports.

### Changes to the 2019/20 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 1<sup>st</sup> April to 30<sup>th</sup> June 2019, there have been no amendments to the plan.

## Final Internal Audit reports issued

We have finalised 3 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		
Core Services – Housing Benefits Review	Substantial <sup>1</sup>	0	0	1	1	1
Core Services – Council Tax & Non-Domestic Rates (NDR) Review	Substantial	0	0	0	0	0
Core Services – Purchase to Pay Review	Substantial	0	0	1	1	1
Place – Unannounced Cash Visits Follow up	Adequate	0	2	1	3	3
<b>Total</b>		<b>0</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>4</b>

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

## Internal Audit reports providing a limited or no assurance opinion

There were no audit reports issued during the period that had a limited or no assurance opinion

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

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

<b>Audit Work Completed</b>	<b>Details</b>	<b>Contribution to Assurance</b>
Place: Home to School Transport Advice	Advice required regarding review of revised Home to School Transport procedures and development of Personal Travel Budget procedures.	The work contributes to assurance in respect of financial management, safeguarding, and performance management.
Core: Business Support Advice	Advice provided in the following area: Business Support – Operational Procedures and Cash Management Arrangements.	The work contributes to assurance in respect of financial management, safeguarding, and performance management.
Core: Legal Services Advice	Provision of advice to Legal Service and Strategic Procurement regarding trading with suppliers that are bankrupt.	The work contributes to assurance in respect of financial management, safeguarding, and performance management.
Core: Strategic Procurement	Provision of advice to Strategic Procurement re the maintenance and update of the Council's Contracts Register, in particular, for capturing new contracts awarded between £5K and up to £10K.	The work contributes to assurance in respect to contract management and financial management.
Communities: Troubled Families – Quarterly validation	Grant claim validation.	The work contributes to assurance in respect of financial management.
Core – SAP Access Controls	Provision of advice to Finance and IT colleagues on the adequacy and effectiveness of access controls and separation of duties within the financial elements of the SAP system	The work contributes to assurance in respect of financial management

## 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"> <li>• Information Governance Board</li> <li>• Commissioning, Procurement &amp; Contracts Working Group</li> <li>• Housing Property Repairs &amp; Improvement Board</li> <li>• Digital Leadership Team</li> <li>• Capital Programme Oversight Board</li> <li>• SharePoint Board</li> <li>• Public Health Quality &amp; Governance Group</li> </ul>
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
Communities – Homelessness	✓		
People – Transition – Children/Adults	✓		
Core – SAP Concur – Policy Into Practice		✓	
Core – Apprenticeship Levy		✓	
Core – Procurement Compliance Review		✓	
Communities – IT Project/ Programme Management			✓
Place – Principal Towns		✓	
Assessed & Supported Year in Employment (Grant Certification)			✓
People – Residential Commissioning of Placements / Fostering			✓

## **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 1<sup>st</sup> April to 30<sup>th</sup> June 2019**

<b>Rec. Classification</b>	<b>Due for completion this period</b>	<b>Completed in period</b>	<b>Not yet completed – Revised date agreed</b>	<b>Not yet completed / No management response</b>	<b>Number not yet due</b>	<b>Number Followed up in period</b>
<b>Communities</b>						
<b>Fundamental</b>	0	0	0	0	0	0
<b>Significant</b>	3	1	1	1	1	4
<b>TOTAL</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>4</b>
<b>Place</b>						
<b>Fundamental</b>	1	0	0	1	0	1
<b>Significant</b>	0	0	0	0	2	2
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>People (excl Maintained Schools)</b>						
<b>Fundamental</b>	0	0	0	0	1	1
<b>Significant</b>	3	2	0	1	8	11
<b>TOTAL</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>9</b>	<b>12</b>
<b>Maintained Schools</b>						
<b>Fundamental</b>	1	0	0	1	0	1
<b>Significant</b>	2	0	0	2	1	3
<b>TOTAL</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>4</b>
<b>Core</b>						
<b>Fundamental</b>	0	0	0	0	1	1
<b>Significant</b>	13	2	6	5	2	15
<b>TOTAL</b>	<b>13</b>	<b>2</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>16</b>
<b>Public Health</b>						
<b>Fundamental</b>	0	0	0	0	0	0
<b>Significant</b>	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>27</b>	<b>6</b>	<b>10</b>	<b>9</b>	<b>17</b>	<b>44</b>
		<b>25</b>				

## 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
<b>1.</b>	<b><u>Customer Perspective:</u></b>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	100%	100% (1 response received)
<b>2.</b>	<b><u>Business Process Perspective:</u></b>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report. (4 reports this period)	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	66%	66%
2.3	Average number of days lost through sickness per FTE (Cumulative 14.8 days in total)	Quarterly	6 days	0 days	0 days <sup>2</sup>
<b>3.</b>	<b><u>Continuous Improvement Perspective:</u></b>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
<b>4.</b>	<b><u>Financial Perspective:</u></b>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within Budget	Yes	Yes

<sup>2</sup> 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			

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
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## KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF MANAGEMENT ACTIONS

### 1. Classification of Management Actions

<b>Fundamental/ High</b>	Requires immediate action – imperative to ensuring the objectives of the system under review are met.
<b>Significant/ Medium</b>	Requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
<b>Merits Attention/ Low</b>	Action is advised to enhance control or improve operational efficiency.

### 2. Assurance Opinions

	Level	Control Adequacy	Control Application
<b>POSITIVE OPINIONS</b>	<b>Strong</b>	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>Reasonable</b>	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>Weak</b>	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.
	<b>Non Existent</b>	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.