

Regulation, Audit & Accounts Committee

29 June 2015

Internal Audit – Annual Audit Report 2014/15

Report by Executive Director of Corporate Services & Resources and Head of Internal Audit

Executive Summary

This report provides a summary of Internal Audit activity for 2014/15. The Head of Internal Audit's overall opinion on the control environment concludes that the Council has a framework of control that provides a limited level of assurance regarding the economic, efficient and effective use of resources in achievement of its objectives.

Recommendation

The Committee is asked to consider the annual audit report for the year ended 31st March 2015 and to monitor the progress being made by services to implement high priority Internal Audit recommendations.

1. Introduction

- 1.1 This report sets out the individual and collective outcomes of the audit reviews undertaken in the year ended 31st March 2015. It also provides an audit opinion of the control environment based on this audit work.

2 Audit Opinion

- 2.1 Internal Audit is an assurance function whose primary purpose is to provide an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance, in support of the objectives of the Council.
- 2.2 The annual audit plan is prepared to take into account key areas of risk and was approved by the Regulation, Audit & Accounts Committee (RAAC). The internal audit plan has been delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.3 The level of assurance provided by Internal Audit is based upon:
- All audit reviews undertaken during 2014/15.
 - Follow up of actions against key audit recommendations made in 2013/14.
 - Management responses to findings and recommendations.
 - Effects of significant changes to the Council's systems.
 - The extent of resources available to deliver the audit plan.
- 2.4 With the exception of project support work, all audit reports include an assurance rating on the basis of the definitions shown in Appendix C. Individual assurance ratings help to determine the overall audit opinion. Completed reviews that received a less than satisfactory assurance rating are summarised in section 4 of this report.

- 2.5 Audit work has been undertaken to obtain all information and explanations considered necessary to provide sufficient assurance that the control environment is both reasonable and effective. Whilst no assurance can ever be absolute, on the basis of audit work completed, **it is the Head of Internal Audit's opinion that the County Council has a governance, risk and control framework that provides a limited level of assurance regarding the economic, efficient and effective use of resources in achievement of its objectives.** This opinion is reflective of the relatively high percentage of limited assurance opinions provided and the significance to the control framework of some of those areas where weaknesses have been found.
- 2.6 Of particular importance in determining the opinion were the key weaknesses identified in the way risk is managed within the County Council. During the earlier part of the year, there was a complete breakdown in processes with no visibility as to how risk was considered or actively managed. It is recognised, however, that considerable progress is being made to implement new systems to manage risk more effectively during 2015. This is being done in a measured way with active discussion and input from the Corporate Leadership Team (CLT). Future focus should be on embedding new practices across the various directorates and ensuring that all key officers have the appropriate understanding and take the necessary actions.
- 2.7 Aspects of contract management, continue to be a cause of concern. This was highlighted by systematic failures in the way in which the Highways maintenance contract has been run. This contract is of significant value and it was not clear how the Authority was obtaining value for money in this area. A number of concerns in respect of managing contracts have been identified by Internal Audit in recent years in a variety of areas. Themes from these reviews include capability and capacity issues and poor availability and timeliness of independent performance information. Lessons need to be learnt to ensure that all contracts let are tightly managed and that desired outcomes are delivered efficiently with maximum value obtained.
- 2.8 Corporately work is on-going to improve the quality of spend data. Significant work is still required to ensure this data is reliable so that procurement activity can be monitored and used effectively.
- 2.9 Compliance with core systems controls has also deteriorated in recent years with slow resolution on issues relating to accounts payable, payroll and access control. These systems influence significant value and are exposed to risk.
- 2.10 Overall, as a comparator against previous years audit work, the percentage of limited assurance opinions given for 2014/15 was 36% against 27% in 2013/14, when the overall opinion provided was "qualified satisfactory assurance." In 2012/13, which secured "unqualified satisfactory assurance", the percentage of limited assurance opinions was 15%
- 2.11 It is notable that two of the major systems that are responsible for paying money out of the Council, payroll and accounts payable, are rated as limited assurance. Given their impact on our cashflow, they carry disproportionate weight in the overall "limited assurance" opinion, along with risk management.
- 2.12 It should be noted that the authority has been extremely proactive in its response to the weaknesses identified by internal audit and directorates over the past year. This is reflected in the range of initiatives being designed to strengthen and improve internal controls and internal processes.
- 2.13 The open and transparent nature of this response by the authority and the desire to improve internal practices is again reflected in the Annual Governance Statement (AGS). This specifically refers to the governance issues currently being addressed. These include; risk management techniques, compliance improvements through

SAP optimisation programme, improved compliance monitoring, training & induction, contract management training, monitoring and enforcement, procurement understanding, ethical governance review and a review of capital programme management.

- 2.14 It is considered that if the Council continues to place the current emphasis on strengthening internal controls and processes throughout 2015/16, then it is likely that an improved audit opinion can be issued at the end of this year.

3 Resource availability, allocation & jobs completed

- 3.1 1,872 days of audit activity were undertaken against a plan of 1,597 days.
- 3.2 There were 275 extra audit days available against the original plan reflecting a decision in June to reverse the reduction of 2 posts to the audit establishment. Extra agency days were procured to compensate the loss of days and the two vacancies that had been held pending a restructure were filled from the start of January. The section is now at full establishment of 9 FTE. More details are shown in Appendix A.

4. Summary of audit work undertaken

- 4.1 A summary of the key issues arising from service audit reviews undertaken during 2014/15 is provided below.
- 4.2 Appendix C lists the audit opinions issued for all non-establishment review reports during 2014/15, including less than satisfactory audit opinions that have been previously reported.

4.3 Highways Maintenance Contract

- 4.3.1 An independent 'audit' of works commissioning and contract compliance was undertaken by external consultants, in response to concerns raised by management into contract management arrangements with Balfour Beatty Living Places (BBLP). Internal Audit was asked to verify the validity of the concerns raised and establish whether there were any underlying control issues that were undermining the implementation of the contract.
- 4.3.2 The audit was an assessment of the application of the contract, and identified a number of non-compliance issues. Internal Audit confirmed many of the findings, in particular, significant variations in pricing and variable record keeping. Weaknesses identified by Internal Audit include:
- Roles and responsibilities required clarification. The level of contract monitoring did not appear to be commensurate with the size of the contract and the current level of expenditure.
 - The external audit identified the extensive use of sub-contractors to undertake work submitted to BBLP. It identified that work placed with sub-contractors appears to be placed on a cost plus fee basis. Rates paid to the subcontractors appear to be higher than those quoted in the pricing schedules stated in the contract. Sub-contractor rates were not included in the contract, although there was an assumption that these should be the same as the contract rates.
 - There were detailed quality control processes and procedures designed to support a gateway approach to project management. This, in theory, should ensure that all pricing and contract monitoring arrangements were strictly adhered to. However, there was clear evidence that either processes were not being followed, or that newly evolved process (e.g. Walk Talk Build (WTB)) had not been documented.
 - Approximately, £20m of works have been commissioned using the WTB approach. It was not clear how the pricing using this evolved approach related

to the contracted pricing schedules, ensured value for money or whether these were compliant with the contractual terms.

- Previous audit recommendations do not appear to have been addressed, even though assurance was sought from highways management that this was the case. These include poor commercial processes around billing and final accounts, coding, and quality procedures.
- Issues were also identified in respect of non-declaration of a conflict of interest and receipt of inappropriate gifts and hospitality although the latter had been declared by Officers.

(High priority recommendations in Appendix D ref 1-4)

4.4 Contracts Letting

4.4.1 From the contracts let that were reviewed all had been awarded transparently and in accordance to internal and EU requirements. However, these were selected from the transparency contract register. Although there are a number of initiatives currently being undertaken to improve contract monitoring and contract letting arrangements, the limited assurance opinion reflected the fact that:

- Not all directorates were maintaining contract / tender registers.
- There is a lack of monitoring and reporting of off-contract spend.
- The role of Procurement and Contract Services is not clearly defined in the corporate monitoring and compliance function.

(High priority recommendation in Appendix D ref 5)

4.5 Use of Consultants

4.5.1 Audit review concluded that without a professional lead, there is no focal point to facilitate effective purchasing and management of consultancy services;

- Standing Orders are not complied with consistently and these are currently being updated.
- Procurement guidance and good practice arrangements for managing consultancy projects are not used routinely.
- Key documentation supporting some procurement decisions was missing.
- Consultants' performance and the value for money achieved are not recorded so decisions on future use are uninformed.
- Formalised consideration of skills transfer and learning from consultants to the Council is not being demonstrated.
- The distinction between consultancy and professional services expenditure is unclear across the Council and the annual spend on consultancy cannot be reported accurately. However, actions to improve the quality of reporting are being taken.

4.6 Direct Payments – Children

4.6.1 Compliance testing concluded there were controls in place to monitor expenditure and client statistics and these are reported on a monthly basis. However the following issues required improvement:

- Signed direct payments contracts were not on file for a significant number of clients.
- Records indicated that regular reviews of the care plan were not always undertaken.
- Monitoring of transactions from clients bank statements were not routinely undertaken
- Queries raised by the monitoring team are not effectively followed up.

4.7 Commissioning

4.7.1 A corporate review of commissioning is currently being undertaken as part of the Council's transformation programme. The project intended to develop a collaborative approach to commissioning, the concept of which is 'a combination of several approaches that puts the customer at the centre of any considerations and builds from the customer backwards rather than the traditional approach of delivering what we think the customer wants'. Internal Audit findings are intended to inform this review.

4.7.2 The audit selected the Commissioning for Care and Support at Home (CSH) project as an example of how commissioning and procurement operates within the Authority. However, it became apparent that the findings were generic in nature, and any weaknesses identified should be considered as a corporate concern. These included:

- Lack of functional leadership of commissioning in the Council;
- Commissioning documentation generally needs to be developed further;
- The capacity of appropriately trained staff to lead commissioning projects is unclear; and
- Inadequate arrangements are in place to capture good practice and share learning;
- Formal systems for the collection and monitoring of performance data as part of contract monitoring was recognised, but was not sufficiently developed.

4.8 Business Resilience

4.8.1 There were weaknesses identified in the control framework for business resilience with several findings challenging the effectiveness of the corporate and business service plans in place as follows:

- The Corporate Business Recovery Plan is out of date and currently under review.
- The Business Resilience policy is out of date and requires review.
- Not all corporate plans are available to staff.
- Evidence that some Business Service Plans are out of date.
- No mechanism to ensure that all services have been identified to produce a business service plan.
- Some service plans are overdue for testing.
- At present there is no mechanism to collate and report on the critical risks and key dependencies identified in the individual service plans.
- The corporate test exercise is now overdue.
- No formal mechanism to collate risks from the service plans and escalate these to the corporate risk register.

(High priority recommendations in Appendix D ref 13-14)

5. Core Finance Systems - Compliance

5.1 One of the priorities of the internal audit plan is to continue to keep close scrutiny on core financial systems. On this basis, quarterly compliance testing was undertaken on key areas so that any potential issues can be identified as early as possible. A summary of the recommendations made and audit opinion given in respect of each core system is shown in the table below.

Audit Reviews	Audit Opinion	Number of Recommendations			
		High	Medium	Low	Total
Accounts Receivable	Satisfactory		8	3	11
Main Accounting	Satisfactory			2	2
Treasury Management	Satisfactory		2	1	3
Capital Accounting & Monitoring	Satisfactory			2	2
Pensions – External Investments	Substantial			1	1
Pensions – Governance & Strategy	Satisfactory		1	3	4
Accounts Payable	Limited		3		3
Pensions Administration	Satisfactory			6	6
Payroll	Limited		4		4
Purchasing Cards	Satisfactory				0

5.2 Accounts Payable

As previously reported during the year, compliance review has highlighted the following areas that require addressing to move the audit opinion away from limited:

- Continued non-compliance to financial regulations where invoices are received both before vendors are adopted or before a purchase order has been raised
- Not all vendor adoption forms are being processed through Commercial Finance
- One Time Vendor (OTV) payments made to existing vendors
- Multiple OTV payments made to the same organisation / individuals

Controls for the following areas have improved in the past year:

- One Way to Buy (OWTB) duplicate payments are now being monitored and investigated on a monthly basis with a process in development for non-OWTB potential duplicates.
- There have been no issues with the invoices that have been paid in terms of the three way match and the recording of VAT.

5.3 Commitments Management

5.3.1 In addition to annual compliance testing, a review was undertaken of the process for managing committed expenditure in the accounting system. The review concluded that:

- The current commitment management process does not comply with financial regulations.
- Commitments are not raised in a timely manner and are often retrospective.
- Whilst commitments form part of the budget monitoring process, responsibility for managing and monitoring commitments is devolved to budget holders. From the value of committed expenditure at the time of review it was clear that many recorded commitments were inaccurate and not being managed appropriately.
- There is no central process for the closing of commitments; this is reliant on budget holders reviewing and identifying commitments that are no longer valid and closing them.
- There was £23M of historic outstanding commitments recorded on the main accounting system dating back to the financial year 2002/03 (the majority relates to 2010/11-2013/14).

5.3.2 Accurate use of commitments in the budget monitoring process is essential to achieve efficient budgetary control. Due to the lack of maintenance by budget holders across service departments, Service Finance have manual systems in place to inform financial monitoring and the forecast of the outturn position. This takes account of the actual commitments from discussions with the budget holders. These compensating controls are resource intensive, as reliance cannot be placed on the data from the main accounting system.

(Cleared high priority recommendation in Appendix E ref 16)

5.4 Payroll

5.4.1 Annual compliance testing of payroll covered a number of areas, including; starters, leavers, payments, deductions and variations. Although, many of the processes were operating satisfactorily there were a number which were poor, resulting in a limited assurance opinion. The areas which caused particular concern were:

- A large number of overpayments (mostly of low value) had been identified as a result of poor leaver processes. The overpayment mechanism was also ineffective leading to a large number not being recovered promptly.
- Starter files were also incomplete, with documents either missing or not being to the standard necessary to give full assurance over the recruitment process.
- The need for, and actual incidence of, secondary checks to ensure quality was found to be weak.

6. Follow up work

6.1 Follow up work will be carried out during 2015/16 to ensure all key recommendations are implemented. All high priority recommendations are followed up by Internal Audit whilst services are asked to provide a self-assessment against all other recommendations made.

6.2 Appendix B provides a summary of recommendations made, analysed by lead directorate during 2014/15 and the status of recommendations previously made during 2013/14 that have been followed up by Internal Audit.

6.3 Appendices D & E shows the status of new/outstanding high priority recommendations and cleared recommendations. The appendices includes comments from officers in respect of status/action taken. All key recommendations will be checked by Internal Audit during the year and any outstanding or not satisfactorily completed will continue to be reported to RAAC.

7 Progress on outstanding key issues previously reported to RAAC

7.1 The table below shows progress on actioning recommendations arising from audits rated as limited assurance that were reported to RAAC in the 2014/15 annual audit report.

Audit	Implemented % (No.)	Comments
Fleet Management	100% (4/4)	
Special Education Needs	100% (10/10)	
Capital Programme – Controls & Forecasting	100% (11/11)	
Mental Health Payment Process	100% (1/1)	
Free School Meals	80% (4/5)	The outstanding recommendation related to Capita providing a new eligibility database. This has been outstanding for over a year. In April 2015 Capita referred to a solution for an on-line system to access eligibility checking.
Gross Payments to Individuals	80% (4/5)	Updated guidance to Managers by HR will be issued once external review of payments made is complete
Pensions Administration	100% (20/20)	
Financial Assessments –Income Collection, Deferred Payments & Capital Depleters	88% (7/8)	The outstanding medium recommendation relates to reconciliation between FWi and SAP.
Looked after Children – Financial Administration	100% (2/2)	
Network Infrastructure	88% (14/16)	2 medium priority recommendations outstanding subject to cost/benefit appraisal
Accounts Payable incl CHAPS	91% (10/11)	Issues reported in 5.2

8 Other audit work

8.1 Establishment visits

- 8.1.1 Additional resources were made available during the year, some of which were focussed towards audit probity visits. This enabled continuation of auditing secondary, the larger middle and primary schools every other year due to their size and complexity. Visits were undertaken to fourteen secondary schools. One of these was to follow up and ensure the implementation of recommendations had happened or were progressing satisfactorily at a school that had previously received a limited assurance opinion. Two schools received substantial assurance, nine received satisfactory assurance and three received a limited assurance opinion. Agreed action plans are in place to address any audit recommendations and follow up reviews will be programmed for the secondary schools that received limited assurance opinions.
- 8.1.2 A larger number of primary and special schools were audited during the year and were selected on a risk basis including size, budget, previous audit rating and intelligence gathered from other areas of the authority e.g. Schools Financial Support Unit and other officers within the Learning Service. Seven main areas were covered during the visits and included, annual review of key governance documents, budget planning and governance, financial management, contracts, personnel and payroll, assets and security and other accounts/funds. Twenty two schools (fifteen primaries and seven special) were selected for audit review. The visits resulted in five substantial, sixteen satisfactory and one limited assurance opinions.
- 8.1.3 Most recommendations made were related to financial management and annual document review. Budget Planning and Governance was generally good.
- 8.1.4 The additional resource also enabled Internal Audit to undertake probity visits to Care and Wellbeing establishments. Six establishments, including a children's home, adult training centres, day centres and residential establishments were visited. These resulted in one substantial and five satisfactory assurance ratings. A common theme from these visits was that account maintenance and reconciliation was an area where most issues and concerns were encountered and usually involved cash handling of authority and client money.

8.2 Investigations, irregularities and anti-fraud work

- 8.2.1 There were 24 issues reported that required detailed review or advice by Internal Audit. These can be categorised as:

Type	No
Cash Losses	5
School Admission/ Eligibility	2
Information request from another body/agency as part of an investigation involving a WSCC employee	4
Allegation of impropriety in the selection of a contractor	1
Allegation regarding care/ service provider	2
Allegation regarding propriety of a school employee	1
Individual not working contracted hours	1
Inappropriate use of a P Card	1
Grant Payment query from another Authority	1
Query regarding deprivation or non-disclosure of assets	2
Inappropriate use of a Direct Payment	3
Assisting Police with a blue badge investigation	1

- 8.2.2 Where appropriate, recovery is being pursued and disciplinary action taken. A small number of referrals were made to the police in respect of cash losses. These losses amounted to £1,570. Internal Audit continue to provide advice to schools on fraud and scams with a regular bulletin, and respond to queries as they arise. The Authority is a member of the South Eastern Fraud Hub, made up of fraud officers from County Councils.
- 8.2.3 During the year Internal Audit passed on twelve referrals of benefit fraud, three potential blue badge frauds and received ten warnings about bank mandate fraud from suppliers who were concerned that their accounts had been targeted by fraudsters.
- 8.2.4 One long-standing fraud investigation involving an employee has now been scheduled for a criminal case at Chichester Crown Court in September 2015. Internal Audit will be attending in the capacity of a witness.

National Fraud Initiative (NFI)

- 8.2.5 Work on the 2014/15 matches has commenced. To date, for West Sussex County Council, 781 matches have been cleared, of which none have been recorded as fraudulent. Five are the result of an error, with one leading to a recovery of £9,800. A further 84 matches so far have been flagged for further investigation.
- 8.2.6 In respect of the Fire & Rescue Service, 37 matches have been cleared while the remaining 44 will be looked at in due course.

9. Audit Performance

- 9.1 The budget for Internal Audit for 2014/15 was £401,700 and the actual net expenditure was £407,500, an overspend of £5,500.
- 9.2 A self-assessment was undertaken matching current audit practices against the Public Sector Internal Audit Standards (PSIAS). A report on this assessment will be presented to a future meeting of this Committee which will also include proposals for an external review to be undertaken on the section's compliance with PSIAS. There were no significant areas of divergence from the standards identified. During 2015/16, the section is implementing a new audit management application (TeamMate) which will prompt a number of changes in routines which will require significant changes to the quality systems currently in place.
- 9.3 A small number of audit satisfaction questionnaires were issued during the year allowing the client to score various aspects of the work, 100% of which gave a positive rating overall. The questionnaires also invite respondents to provide comments and ideas as to how services can be improved and to identify further areas where they would find audit assistance useful.

10. Resource Implications and Value for Money

- 10.1 None arising directly from this report

11. Equality Duty.

- 11.1 An Equality Impact Report is not required for this decision as report dealing with internal or procedural matters only.

12. Risk Management Implications

- 12.1 There are risks associated with services not addressing key recommendations arising from the audit findings. Follow up audit review will be undertaken to ensure that agreed actions have been implemented. A report detailing the status of high priority Internal Audit recommendations will be presented to each meeting of this Committee for monitoring to ensure that key risks are addressed on a timely basis.

Peter Lewis
Executive Director of Corporate Services
& Resources

Gavin Jones
Head of Internal Audit

Contact: Gavin Jones , Head of Internal Audit, 033022 23348

Appendices

Appendix A Progress against approved audit plan

Appendix B Summary of recommendations 2014/15

Appendix C Audit opinions 2014/15

Appendix D New and outstanding high priority internal audit recommendations

Appendix E Cleared high priority recommendations

Background Papers

None

Appendix A

Internal Audit progress against plan

Allocation of Resources

	Plan Days	Actual Days	Gain (+) Against Days
Resource available			
Internal	2,340	2,340	0
External	93	86	-7
Agency	0	188	188
Total	2,433	2,614	181

Non-audit time			
Public Holidays	68	70	-2
Annual & Other Leave	215	234	-19
Sickness	30	10	20
Training	50	83	-33
Vacancy	473	345	128
Sub-Total	836	742	94
Audit time available	1,597	1,872	275

Time allocated to audit work			
	Plan Days	Actual Days	Variance Days
Audit Reviews	745	863	118
Establishment Visits	85	242	157
Anti-fraud & irregularities	150	126	-24
Other Assurance Work	267	262	-5
Audit Management & Planning	350	379	29
Total	1,597	1,872	275

Work completed/in progress

	Planned	Completed & work in progress	Variation No.
Audit Reviews	71	72	1
Establishment visits	26	47	21

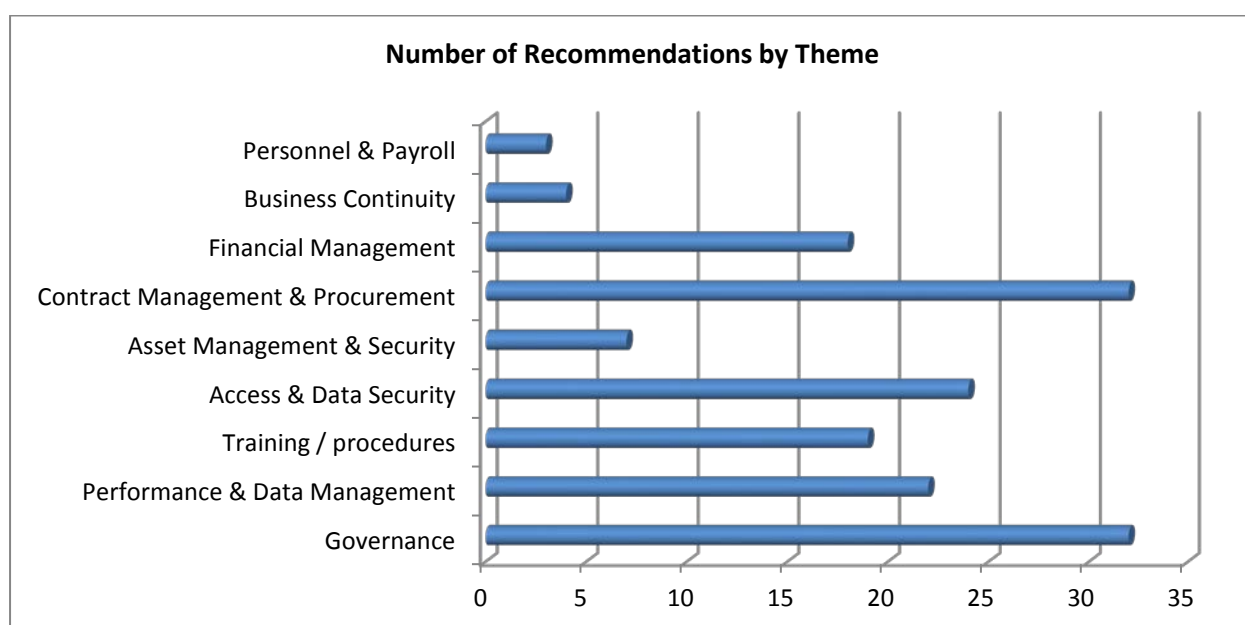
Appendix B

Summary of recommendations made in 2014/15 (Excludes establishment visits and all low priority recommendations)

Directorate	2014/15 Reports		2013/14 Reports	
	Recommendations Made	% Accepted	Recommendations Accepted	% Implemented
Corporate etc.	15	100%	19	74%
Finance & Performance	23	100%	17	100%
Health & Social Care	17	100%	12	66%
Children's Service	13	100%	8	100%
Service Operation	6	100%	49	93%
Strategic Development	25	100%	26	88%
Communities	25	100%	13	100%
External Clients	26	100%	68	97%

Nb: For illustrative purposes, directorate names are based on the structures in place at the start of the year and not current.

% recommendations implemented reflect only those that have been completely actioned and not those that are in progress or partially actioned. Some recommendations also have longer timeframes for implementation. The information recorded relates to self assessed service responses to audit follow ups. Updates are requested on a monthly basis. Outstanding recommendations will continue to be monitored each month with the relevant Services.



Appendix C

Audit opinions provided on non-establishment audit reports issued during 2014/15

Substantial Assurance

- Budgetary Information
- Pensions - External Investments

Satisfactory Assurance

- Virtual School for Looked After Children
- Main Accounting
- Treasury Management
- Capital Accounting & Monitoring
- Pensions – Governance & Strategy
- Pensions Administration
- Performance Management
- Agency Staff Contract Management
- IT Network Security
- Atrium Application
- IT Service Contract Management
- E-Mail
- Purchasing Cards
- Corporate Complaints
- Members Expenses & Declarations
- Carbon Reduction Scheme
- Energy Payments
- Operation Watershed
- Accounts Receivable
- Fire Service – Core Systems
- Capital Controls & Forecasting Follow-up

Limited Assurance

- Adults' Services Customers Financial Administration
- Commissioning
- Direct payments – Children
- Contracts Letting
- Starters, Movers & Leavers (HR & Accounting)
- Accounts Payable
- Payroll
- Risk Management
- Use of Consultants
- Millais School Construction Contract
- Highways Maintenance Contract
- Commitments Management
- Business Resilience

No Assurance

There were no audits receiving this opinion

Appendix D

New & Outstanding High Priority Internal Audit Recommendations

Highways Maintenance Contract – audit report issued April 2015				New !
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
1.	<p>Roles & Responsibilities A detailed contract management plan needs to be developed. This will detail the resources and processes in place to effectively manage the highway contract.</p> <p>Risk Contract processes are inadequate which could lead to poor contract delivery and inefficiencies.</p>	A contract management plan based on the SMART principals is being developed by the interim Commercial & contract manager started 2 March 2015. The new Highway & Transport restructure proposes resources to manage & administrate the Highway Contract.	May 2015	<p>Interim Commercial & Contracts Manager</p> <p>Restructure started March 2015- recruitment in progress to be completed by mid- May 2015 Contract plan - will be continuous but key parts already being implemented.</p>
2.	<p>Walk, Talk, Build Clarification is required to determine whether WTB is an acceptable process.</p> <p>Risk Revised processes have a significant financial impact on the Authority.</p>	The WTB process is an accepted practise for early involvement from all parties including the supply chain. However the price schedules for payment being used is where the nominal occurs. The costs paid do not align to the priced activity schedules in the contract. The Interim Commercial & Contract Manager has reviewed and issued instructions for this element to stop and for all activities to be related back to the contract prices. This will apply to all works – Resurfacing, Pre-Surface dressing works and Surface dressing programmes. Where activity items are missing and new items have to be introduced this will align with a similar existing activity in the contract, using the same productivity, labour and plant rates. Where there is no similar existing items, than a new items will be built up showing a clear breakdown of productivity, labour, plant and materials.	May 2015	<p>Interim Commercial & Contracts Manager</p> <p>New audit – No update</p>
3.	<p>Use of Sub-Contractors Expert opinion must be sought to clarify whether BBLP are able to use sub-contractor rates as defined costs, and whether this is contractually permissible.</p> <p>Risk Use of revised pricing schedule may be anticompetitive.</p>	Further clarification to be sought.	May 2015	<p>Interim Commercial & Contracts Manager</p> <p>New audit – No update</p>

Appendix D

New & Outstanding High Priority Internal Audit Recommendations

4.	<p>Use of Sub-Contractors A forensic review of sub-contractor fees and charges must be undertaken to ensure WSCC is receiving value for money. This should include a comparison of subcontractor rates with national indicators.</p> <p>Risk The use of sub-contractors could result in higher costs to the Authority.</p>	A forensic review would take a considerable length of time given the number of transactions on the TMC. However the findings from recent audits will be addressed as part of this action plan and the Contract management plan.	June 2015 and continuous	<p>Interim Commercial & Contracts Manager & Director of Highways and Transport</p> <p>New audit – No update</p>
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Audit Summary of outcomes: The highways maintenance contract is managed effectively. Processes are followed correctly & payments are made in accordance with contract prices.

Contract Letting – Final audit report issued May 2015				New !
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
5.	<p>Contracts Register Contract standing orders should instruct that a central contract register be maintained, thus ensuring there is a consistent approach and a requirement for all executive directors to ensure the register is maintained for their directorates.</p> <p>Risk There is not a complete / accurate register of all of the contracts that the council has entered into.</p>	Requirement to be included in report to next meeting of RAAC for approval and change circulated to all relevant officers. Also a report to meeting of CLT following RAAC to explain actions needed by CLT.	June 2015	<p>Director of Law, Assurance & Strategy</p> <p>New audit – No update</p>

Audit Summary of outcomes: Contracts are let in accordance with standing orders, and there is a clear & transparent process for the monitoring and letting of contracts.

Appendix D

New & Outstanding High Priority Internal Audit Recommendations

SAP Starters & Leavers – audit report issued February 2015				
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
6.	<p>SAP User Access Reviews</p> <p>The Council should implement a process to carry out periodic reviews of SAP user access to ensure that staff have the correct access permissions and staff that no longer require access to SAP are identified and their access suspended.</p> <p>Risk</p> <p>There is a risk that without periodic reviews of user access, staffs that no longer require access to the system will not be identified and their access rights changed accordingly. A review would also cover whether those staff with system access have been assigned the correct permissions.</p>	<p>There will be a review of SAP Financials and SAP HR solutions as part of a SAP optimisation project.</p>	<p>To be determined</p>	<p>Executive-Director Corporate Resources & Services, the Director of Workforce, OD and Delivery Support and the Deputy Director of Finance.</p>
7.	<p>SAP Changes to Staff Roles</p> <p>Sap access should be defined by the role covering the job a user is in. When a user changes roles they should be provided with SAP access that is specific for that role rather than being provided with additional access rights.</p> <p>Risk</p> <p>There is a risk that staff can accumulate SAP access rights leading to potential segregation of duties conflicts if SAP access does not accurately reflect the needs of the job role they are currently in.</p>	<p>There will be a review of SAP Financials and SAP HR solutions as part of a SAP optimisation project.</p>	<p>To be determined</p>	<p>Executive-Director Corporate Resources & Services, the Director of Workforce, OD and Delivery Support and the Deputy Director of Finance.</p>

Audit Summary of outcomes: Implementation of effective SAP role management including assignment to the post rather than the individual will improve both control in terms of ensuring appropriate access levels are granted and efficiency in starter set up processes.

Appendix D

New & Outstanding High Priority Internal Audit Recommendations

Adults' Services Customer Financial Administration – audit report issued October 2014				
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
8.	<p>Policies and Procedures There needs to be a documented overarching policy for how Adults' Services deal with Customers financial administration.</p> <p>Risk Customers finances are not safeguarded</p>	Resource has been agreed to enable this work to be done	<p>April 2015</p> <p>June 2015</p>	<p>Provider Services Operations Manager</p> <p>The overarching policy completion has slipped and is still in progress. Revised implementation date.</p>

Audit Summary of outcomes: An overarching policy will help to ensure all settings will deal with customers finances in a consistent way. The policy will be underpinned by operational procedures.

Risk Management – audit report issued November 2014				
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
9.	<p>Effective Strategy/Policy The Authority's approach to risk management needs to be reviewed and a policy written to reflect the approach incorporating risk appetite, escalation procedures with clear links to the Authorities objectives.</p> <p>Risk The Authority's risk management policy is not fit for purpose.</p>	<p>Engagement of consultants to support fundamental review of risk management arrangements, to include:</p> <ul style="list-style-type: none"> workshops with Corporate Leadership Team (CLT) development of a methodology for capturing and managing risk provision of a proven risk management tool <p>This work stream recognises that cultural change is needed including active support from Executive Directors, and also for short-term additional support to "kick start" the process.</p>	<p>April 2015</p> <p>September 2015</p>	<p>Deputy Director of Finance</p> <p>CLT workshops began later than planned, and four rather than three will be required. New arrangements are expected to be in place for the end of Q2</p> <p>Revised implementation date 30th September 2015.</p>
10.	<p>Effective Strategy/Policy There needs to be clearer accountability for Executive directors and directors to ensure they are clear that it is their responsibility to ensure risks are identified and escalated appropriately.</p> <p>Risk The Authority's risk management policy is not fit for purpose.</p>	Paper to be considered by CLT setting out key principles and proposed next steps	November 2014	<p>Deputy Director of Finance</p> <p>Actioned Considered at initial CLT workshop January 2015.</p>

Appendix D

New & Outstanding High Priority Internal Audit Recommendations

Risk Management – audit report issued November 2014				
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
11.	<p>Embedded Process There needs to be a re-launch once the approach and policy for Risk Management is approved, ensuring the approach is communicated across the Authority with guidance and training available at the appropriate levels to all employees.</p> <p>Risk Risk Management is not operating effectively across the entire Authority</p>	To be addressed as part of methodology development outlined above in 10.	<p>January 2015 Sept 2015</p>	<p>Deputy Director of Finance Subject to completion of 10. Revised Implementation date 30th September 2015.</p>
12.	<p>Monitoring and review of strategic and directorate risk registers All directorates need to ensure teams / services are considering risk as part of their business planning process, with a corporate approach to consistently recording and capturing all risks in an appropriate format.</p> <p>Risk There is no challenge or scrutiny of Directorate or the Corporate risk Register</p>	To be addressed as part of methodology development outlined above in 10.	<p>March 2015 Sept 2015</p>	<p>Deputy Director of Finance Subject to completion of 10. Revised Implementation date 30th September 2015.</p>

Audit Summary of outcomes: Risk management is embedded in the normal governance and management process of the organisation.

Business Resilience – audit report issued June 2015				New!
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
13.	<p>Service Continuity Plans - Review Service Continuity Plans should be reviewed to ensure that they are complete and up to date</p> <p>Risk Service Continuity Plans contain incorrect information and are ineffective</p>	Statement of readiness to be provided to Directors for their areas for appropriate follow up / action	November 2015	<p>Head of Resilience & Emergencies All Directors</p>
14.	<p>Service Continuity Plans - Testing All Service Continuity Plans should be subject to a test exercise where a test has not occurred in the previous 12 months.</p> <p>Risk Service Continuity plans not tested and may not work correctly</p>	Statement of readiness to be provided to Directors for their areas for appropriate follow up / action, with support from Resilience & emergencies to run exercises	April 2016	<p>Head of Resilience & Emergencies All Directors</p>

Audit Summary of outcomes: Business continuity arrangements are effective and tested to ensure that the business can continue to operate in the face of significant disruptive events.

Financial Assessment (including Income Collection, Capital Depleters, Deferred payments and Top Ups) – audit report issued April 2014				
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
15.	<p>Debt Recovery</p> <p>Ownership should be assigned for the responsibility of income collection at an operational level to ensure all income due to the authority has been identified and is being collected before recovery stage.</p> <p>Risk</p> <p>Income collection is not maximised</p>	<p>Financial assessments of Adults' Services customers are proposed to be outsourced to Capita, giving the opportunity to set metrics that hold them to account for assessing income in an accurate and timely manner and monitor the collection to maximise the income actually received.</p>	<p>June 2014 October 2014 May 2015</p>	<p>Deputy Director of Finance</p> <p>Ownership has been assigned to the Deputy Director of Finance who also chairs the Adults Income Group (AIG). The issue will be addressed via this group. However, the groups remit has now expanded to include the Care Act which is taking priority. In terms of assignment recommendation is implemented. Will be kept informed of progress of identification and collection of income via AIG.</p>

Audit Summary of outcomes: Ownership has been assigned and on-going performance measurement and management can be implemented effectively via AIG once the implications of the Care Act have been addressed.

Commitment Management – audit report issued April 2015				New!
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
16.	<p>Accuracy & Timeliness</p> <p>Central ownership of commitment management needs to be assigned to monitor compliance, including reporting during the year of the corporate position to the Executive Director of Corporate Resources & Services. Consideration should be given to monitoring commitments as Key Performance Indicators.</p> <p>Risk</p> <p>Non-compliance to financial regulations impacting on the council's ability to monitor / forecast budgets.</p>	<p>Ownership of the accounts payable system falls within Corporate Finance in conjunction with the Head of Procurement as commitments are a by-product of the procure to pay process</p>	<p>June 2015</p>	<p>Deputy Director of Finance</p> <p>Responsibility has been assigned to the Deputy Director of Finance.</p> <p>Commitment compliance monitoring is undertaken by Compliance team, and the current performance is reported to the Executive Director of Corporate Resources & Services on a monthly basis.</p>

Audit Summary of outcomes: Commitments monitoring is both accurate and timely, ultimately leading to improved budgetary control.