

**To the Chair and Members of the
AUDIT COMMITTEE**

INTERNAL AUDIT REPORT FOR THE PERIOD: AUGUST 2012 to DECEMBER 2012

EXECUTIVE SUMMARY

1. The report attached at **Appendix 1** updates the Audit Committee on the work done by Internal Audit for the period 1 August 2012 to 30 December 2012 and shows this in the context of the audit plan for the year. The report also includes performance information and details on the implementation of significant internal audit recommendations.
2. The attached report is in four sections:
 - Section 1: Planned audit work
 - Section 2: Unplanned responsive work carried out in the period
 - Section 3: Progress on the implementation of audit recommendations
 - Section 4: Performance Information
3. A summary of the main points from each of the sections is provided in the following paragraphs:

Section 1: Planned audit work

4. Our audit work completed in the period highlighted five major risk exposures:
 - Two related to Section 117 (Mental Health Act 1983) After Care Payments re Mental Health Care, and
 - Three related to 'Emergency' and 'Regular' payments made by Children's Services under Section 17 of the Children's Act 1989. Satisfactory action had been taken on two of the Section 117 risk exposures by the time the report was issued.
5. Overall, the results in the period confirm the Council has a robust internal control environment. Many controls audited were found to be in place and operating effectively. A minority, outlined above, were found to be weak. Providing appropriate steps are taken by management to remedy the weaknesses identified, these should not lead to any adverse opinion in our annual audit report.

Section 2: Unplanned responsive work carried out in the period

6. Responsive work is difficult to predict but highly valued by managers who ask for Internal Audit's assistance in dealing with a wide range of issues. This work can be categorised into two main areas:

- Investigative work, and
- Requests for specific audit work, advice and assistance.

7. While we continue to receive a steady stream of requests for assistance, during this period there have been no significant investigations carried out by Internal Audit. This continues a pattern of an overall lower level of responsive / investigation work, indicating:

- We are targeting the right areas to focus on in our planned work, and
- There is an overall strengthening control environment operating across the Authority.

Section 3: Progress on the implementation of audit recommendations

8. Previous recommendations relating to Data Quality (Transport) and Fostering and Adoption have now been sufficiently completed and are no longer included in this report.
9. Positive progress is being made on outstanding recommendations relating to the Comensura agency contract and procurement arrangements in general.

Section 4: Performance Information

10. Internal Audit is on course to deliver the number of days planned in the audit plan. Satisfaction ratings are high, costs per day are below budget and all recommendations made in the period have been accepted. There has been some slippage in issuing some reports.

RECOMMENDATIONS

11. **The Audit Committee is asked:**

- To note the internal audit work completed in the period.**
- To note progress made by officers in implementing previous audit recommendations**
- To note information relating to Internal Audit's performance in the period.**

BACKGROUND

12. This report provides the Audit Committee with information on the outcomes from internal audit work and allows the Committee to discharge its responsibility for monitoring Internal Audit activity.

OPTIONS CONSIDERED & FOR RECOMMENDED OPTION

13. This is not applicable to this report.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

14. Internal Audit assesses how effectively the Council is managing risks that threaten the achievement of the Council's objectives. Any improvement in the management of the risks will have a positive impact thereby increasing the likelihood of the Council achieving its objectives.

RISKS AND ASSUMPTIONS

15. The implementation of internal audit recommendations is a response to identified risks and hence is an effective risk management action.

LEGAL IMPLICATIONS

16. There is a statutory obligation on the Council to provide an adequate and effective internal audit of its accounts and supporting systems of internal control.

FINANCIAL IMPLICATIONS

17. There are no specific costs arising from this report.

CONSULTATION

18. There is consultation with managers at the outset, throughout and at the conclusion of individual audits in order to ensure that the work undertaken and findings are relevant to the risks identified and are accurate.

BACKGROUND PAPERS

19. CIPFA Code of Practice for Internal Audit in Local Government, audit working files and management information, customer satisfaction responses

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Appendices Attached

Appendix 1 - Internal Audit Report: August 2012 to December 2012

**DONCASTER MBC
INTERNAL AUDIT REPORT: AUGUST TO DECEMBER 2012**

Introduction

The internal audit report is in four sections;

Section 1: Planned audit work

Section 2: Unplanned responsive work carried out in period

Section 3: Progress on the implementation of audit recommendations

Section 4: Performance Information

Section 1: Planned Audit Work: Non-Schools

Establishment Visits

The following establishment visits were completed in the period:

- Austerfield Study Centre
- Civic Theatre
- Allotments

There were no critical or major recommendations arising from these audits.

Anti-Fraud and Corruption reviews

The following anti-fraud and corruption reviews were completed in the period:

- Invest in Doncaster
- Hamilton Court (Supported Living)

There were no critical or major recommendations arising from these audits.

Grant Claim Verification

The following grant claim verification work has been completed in the period:

- Carbon Reduction Scheme

IT system application reviews

The following IT system application reviews were completed in the period:

- Raise (Youth Offending)
- Schools' Financial Management IT Systems (FMS/Sims)
- Financial Director

There were no critical or major recommendations arising from these audits.

Fostering and Adoption

A follow up review of the Fostering and Adoption agreed management actions was undertaken in the period. Management has implemented the majority of agreed actions and we concluded that there were no outstanding actions remaining with either a major or critical risk rating.

Special Education Needs Statementing Services

At the request of management we completed a review of the Special Education Needs Statementing Services. The aim of the review was to identify ways in which the service could better deliver a modern and responsive service and achieve good Value for Money. A series of improvements were identified to reduce the time taken to process Special Educational

Other recommendations were made for improving communication, developing the IT system to better support the statementing processes, improving quality assurance arrangements and strengthening the means of addressing new Government legislation.

All recommendations were accepted by management.

Data Protection

In consultation with the Council’s Data Protection Officer, a piece of work was undertaken to review data protection controls across the Council in preparation for the visit by the Information Commissioner’s Office. Visits were made to 16 locations over the period 12th - 19th October 2012. The locations visited were selected based on the Information Commissioner’s Office highlighted audit areas but also included Children and Young People’s Services to ensure all services were covered.

These visits revealed some elements of good practice, but that there were some areas where improvement opportunities were identified, including:

- Strengthening awareness and practice regarding the control and retention of electronic data.
- There was inconsistency in the use of secure GCSX email accounts when emailing out data protected information.
- Access to staff areas was protected by physical controls. However, staff need to be alert to the possibility of allowing unauthorised persons into buildings (tailgating), particularly in larger buildings.
- Measures have been taken in staff areas to protect the information that they hold such as locking information away and using other physical access controls. However, we found some storage cupboards that were damaged or could not be locked.

All issues identified during the review were noted by the managers of the areas reviewed and concise action plans were issued for immediate implementation. Staff have now been instructed to complete mandatory e-learning modules on data protection

Other Planned Audit work completed

The table below lists other planned audits (excluding schools) that were completed in the period, together with the audit opinions contained in the published reports.

Area Audited	Number of Recs	Recommendations			Audit opinion
		Critical	Major	Significant or less	
Rowena House Care Home	2			2	None Given
Liquid Logic (Case management system for Children’s Services)	8			8	Partial Assurance

Emergency payments - Section 17 and Regular payments (CYPS)	13		3	10	Limited Assurance
Section 117 After Care (Payments re Mental Health Care, Adults and Communities)	4		2	2	Limited Assurance
Civic Office Transition Arrangements	0				Partial Assurance
Childrens Centre's Attached to Schools	17			17	Partial Assurance
Finningley and Torne Valley Children's Centre	5			5	Substantial Assurance
The Beak Children's Centre	8			8	Partial Assurance

During the period all recommendations made were agreed by clients.

We give **limited assurance** where the Council is exposed to major risks, **partial assurance** where the Council is exposed to significant risks and **substantial assurance** opinion where the Council is exposed to less significant risks. Weaknesses / risks in the areas where we gave limited assurance were as follows:

Emergency payments -Section 17 and Regular payments (CYPS)

The audit identified that the current systems for paying 'Emergency' and 'Regular' payments made by Children's Services under Section 17 of the Children's Act 1989 by cash or bank transfers were weak. There was a lack of consistency in procedures used by the various social worker teams. This has now been addressed through revising policy and procedures.

There was over reliance on social workers' knowledge of cases due to a lack of information held on the IT Case Management System (Care First). Work continues to address this issue following the transfer of case management onto the Liquid Logic IT system.

Further processes were put in place to prevent duplication of financial support and limits were introduced for the amount of money being backdated.

Section 117 After Care (Payments re Mental Health Care, Adults and Communities)

In July 2003 the Local Government Ombudsman issued a special report that concluded all Local Authorities should actively try to identify clients who had been wrongly charged for S117 after-care in the past and should reimburse them, or their estate. Section 117 payments are made to people in receipt of certain mental care services.

An initial budget provision of £2.2m was made to meet the liabilities created by the Ombudsman's decision and in 2006/07 the Council put in place resources to ensure that refunds were made / offered to all relevant service users. However, in 2009/10, the work on refunding eligible users ceased, leaving a large number of refunds not dealt with. The audit

work confirmed that approximately half of eligible users either received or declined their refund entitlement and no offer had been made on the other half of cases.

Management actions were agreed primarily involving identifying persons to complete the exercise and bring this situation to a resolution for which a current provision of £631k has been set aside, based on the experience from the first 50% of cases concluded.

Planned Audit Work: Schools

Schools Financial Value Standard (SFVS)

The SFVS replaces the Financial Management Standard in Schools (FMSiS) and has been designed in conjunction with schools to assist them in managing their finances and to give assurance that they have secure financial management in place.

The Standard is a requirement for local authority maintained schools. **Governing Bodies** have formal responsibility for the financial management of their schools, and so the Standard is primarily aimed at governors.

Internal Audit is helping schools to meet the Standard by providing help and support including training sessions for School Governors and staff.

A specific requirement of the SFVS was for schools to have adequate Anti-fraud and Corruption arrangements in place. To assist, Internal Audit has designed and provided a model Anti-fraud and Corruption Policy and Strategy for schools to adopt to help meet the above requirement.

Section 2: Unplanned responsive work carried out in the period

No significant items of responsive work have been completed in the period.

Section 3: Progress on the implementation of audit recommendations

One aim of Internal Audit work is to monitor the implementation of recommendations to ensure risks are mitigated and also to confirm any benefits from our recommendations are achieved.

During the period previous outstanding recommendations relating to Data Quality– Transport (Journey time in key congestion routes) and Fostering and Adoption have been sufficiently addressed and have, therefore, been removed from this section of our report.

Four major recommendations have been sufficiently addressed in relation to Procurement and Contract Management – Comensura.

There is one new major recommendation that has exceeded its implementation date in the period.

The position on outstanding critical and major recommendations is detailed in the table below:

Procurement and Contract Management – Comensura		
<p>We reported in our September progress report that there were two critical and six major recommendations that had exceeded the original deadlines for implementation. Since then actions have been taken which have now sufficiently addressed four major risk recommendations. The position in relation to outstanding issues is now as follows:</p> <ul style="list-style-type: none"> • Further contractual and financial options are being considered to ensure that the Council receives the best value for money when the current contract with Comensura expires in September 2013. • A Demand Manager has been appointed and is undertaking a piece of work to bring all off contract spend on contract. This may in the short term increase the amount of on-contract spend but longer term should significantly reduce any spending off-contract. • The existing contract is being amended to reflect recent improvements in rates and charges. 		
Financial Transaction Processing		
Exposure	Outstanding Action	Comments
<p>Without appropriate consistent guidance there is no guarantee that departments are achieving best value for money.</p> <p>In addition excessive time will be taken to go through individual departmental procurement exercises.</p>	<p>As part of the Corporate Procurement Transformation Project, various measures are being undertaken to significantly improve recording and access to a single central corporate contracts register, segmented by Directorate as required. This will be centrally controlled and comprehensively provided for within the Procure to Pay module within the ERP system that is currently being procured, that will be available during 2013. In the meantime a specialist data analytics company are providing the council with much greater visibility of its entire spend data for 2011/12, which is being used to significantly improve access and control of current local and central registers. This will then be regularly updated routinely and reviewed on an ongoing basis.</p>	<p>Original Implementation date: 01/10/2012</p> <p>Status as at 31/12/2012: Considerable progress has been made in bringing increased visibility to commercial arrangements, which has also resulted in a large number of breaches being identified.</p> <p>Procurement support and advice across the Council has significantly increased on a day to day basis.</p> <p>Progress continues in stabilising the Central Procurement Team by making permanent appointments to posts.</p> <p>The contracts register is targeted to be completed by 31 March 2013.</p>

Section 4: Performance Information

Audit Resources:

The Audit Plan presented to the Audit Committee in June 2012 identified the time available for internal audit during the year, the expected number of chargeable audit days and the expected usage of available time.

The following table shows the original full year budget, profile for the period April to December 2012 and actual achieved to date:

	Budget	Profile days 31/12/2012	Actual days 30/12/2012	Variance
Gross Days: (52 x 5 x 13.26 FTE) =	3,447	2,585	2,597	12
Less – annual and statutory leave	-591	-443	-448	-5
Less – maternity leave	-347	-347	-345	2
Less – Special Granted Leave / Bereavement	-40	-40	-70	-30
Less – Unpaid Leave	-15	-15	-16	-1
Less – Election Leave	-10	-10	-27	-17
Available days	2,444	1,730	1,691	-39
Less :-				
Sickness (assumes 6 days per FTE)	-80	-60	-67	-7
Service Development	-30	-23	-23	0
Professional Training and CPD	-125	-94	-92	2
Management and supervision	-231	-173	-142	31
Administration and support	-28	-21	-45	-24
Total deductions	-494	-371	-369	-2
Audit days available for 2012/13	1,950	1,359	1,322	-37
Audit Time Charged:				
Planned audit	1,711	1,192	1,293	101
Responsive audit	239	167	29	-138
Actual Audit Time Charged	1,950	1,359	1,322	-37

The major variation relates to the substantially lower than expected time spent on responsive work. While we continue to receive a steady stream of requests for assistance, during this period there have been no significant investigations carried out by Internal Audit. This continues a pattern of an overall lower level of responsive / investigation work, indicating:

- We are targeting the right areas to focus on in our planned work, and
- There is an overall strengthening control environment operating across the Authority.

Performance Indicators

The Audit Committee has previously agreed the key performance indicators that should be reported to it relating to the performance of the Internal Audit service. The indicators are shown below along with current performance for the period April to December 2012.

Performance Indicator	Target	April to Dec 2012	Variance
Percentage of planned audit work completed	68%	69%	1%
Draft reports issued within 15 days of field work being completed	90%	74%	-16%
% of critical or major recommendations agreed	100%	100%	0
Cost per Chargeable Day	£326	£295	-£31
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	10%

Results relating to major recommendations, costs and customer satisfaction remain extremely positive.

Nine reports were issued late; 2 due to leave, one due to an urgent priority and 6 schools reports held over Christmas. Closer monitoring is now being carried out to ensure this indicator is met.