

**Manchester City Council
Report for Information**

Report To: Audit Committee - 21 January 2016
Subject: Internal Audit Progress Report 2015/16
Report of: City Treasurer / Head of Audit and Risk Management

Summary

The Internal Audit Section delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the Council. This work culminates in the Annual Head of Internal Audit Annual Opinion and an Annual Assurance Report. This report provides a summary on the work undertaken and audit opinions issued in the period April to December 2015.

Recommendations

Members are requested to consider and comment on the Internal Audit Assurance Progress Report to December 2015.

Wards Affected:

All

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Background documents (available for public inspection):

Documents used in the development of the assurance report include:

- Internal Audit Plan 2015/16 (July 2015 Audit Committee)
- Internal Audit Progress Report 2015/16 September 2015

Internal Audit Assurance Report April to December 2015

Introduction

- 1.1 This report provides a summary of the work of the Internal Audit Section from April to December 2015 reporting progress with delivery of the annual audit plan and overall progress in the implementation of recommendations. It includes a summary of the assurance opinions issued on completed audits and level of exposure to risk arising where recommendations are outstanding. The opinions and statistics are provided to Directorate senior managers for discussion and to agree actions and are used to inform an overall annual assurance opinion.

2. Audit Programme Delivery

Plan Delivery

- 2.1 The following table summarises the outturn against the audit plan to date. Outputs include audit reports, management letters and advice and guidance as well as support to management on service improvement. It also includes reactive fraud and irregularity investigation reports for work requiring more than five days of audit support or where an opinion was provided. The analysis excludes most of the advice and guidance provided to the business through involvement in working groups and projects across the Council as these were not captured in formal reports. Figures include completion of brought forward work in the first quarter as agreed with managers.

Audit Status	Audit Plan Outputs	Additional and Contingency Items
Final Report Issued *	59	1
Draft Report Issued	8	2
Fieldwork Completed	5	
Fieldwork Started	5	1
Planned	23	1
Cancelled / Deferred	16	

* Includes audits from 2014/15 finalised in 2015/16

Deferred relates to audits which have been agreed to be moved for timing purposes to 2016/17 and/or where scopes will be reviewed – these are reported in tables below and considered to be lower risk.

- 2.2 The number of audits carried out during the year increases as the blocks of time allocated for areas of work are broken down and used to support the business and provide assurance over key activities. The flexibility offered by

the audit plan allows for some adaptation and resourcing of targeted work while maintaining progress toward delivery of planned assurance activities.

- 2.3 The sections below describe the progress made against the annual audit plan.

3 Children and Families

Children's Services

- 3.1 Substantial assurance was given for the Ofsted Improvement Plan Delivery review assessing management of the progress on five activities which were reported to be implemented or progressing satisfactorily. This initial opinion was based on a small sample and no detailed testing was done on validation of progress reporting. Subsequent limited assurance on Children's Live CaseWork and our current work on Children Missing from Home/Care indicates that there remains much more to be done to deliver the required levels of improvement and management are aware of the actions required. They continue to work actively with the Ofsted Improvement Board through activities such as reducing case loads for qualified and newly qualified social workers; introducing Signs of Safety social work model to drive service reform and Delivery of a new Early Help Strategy, assessment tool and Hubs, and developing a LAC reduction Strategy. There have also been changes to the Manchester Safeguarding Children's Board membership, structure and working arrangements. Internal Audit acknowledges the steps being taken however remain concerned that the Service's own audit assessment practice quality across all Children's Services pathways including Children in Need, Child Protection and Looked after Children is inadequate. We will continue to monitor progress including the outcome of the next Ofsted inspection due for this month and will seek to identify further opportunities to support management in relevant areas.
- 3.2 Social Care Casework: Looked After Children was given limited assurance that casework was managed in line with policies and procedures. The findings mirror issues raised in other casework audits and the Service's own LAC 'deep dive audit' in July/August which found that, despite examples of good work, practice quality overall was inadequate. The report made one recommendation: to ensure children in cases audited were appropriately safeguarded and this was accepted in a detailed response from the Strategic Lead, Children's Social Care, and implemented.
- 3.3 We agreed to support Children's Services own large sample audit of Social Work practice focusing on Child Protection visits, Child in Need visits, Looked after Children's visits, Care Plans, Social Work reports and Chair's Monitoring reports. We issued a final report giving limited assurance over compliance with processes for managing Children's casework as we had a number of concerns over updating of MiCare and Team Manager approval and review.
- 3.4 The Secondary Pupil Referral Unit's Alternative Provider Framework was given limited assurance with a medium capacity to improve based on the management response. The system for awarding work under the framework was clear and well-defined. We discussed with the Director of Education our concerns over lack of compliance with procurement rules, inability to























demonstrate value for money or reasons for pupil placements and the transparency of governor involvement in decision making. We recognise that there is a proposal for a medium term solution involving retendering for the Framework but this will take some time to action.





Adult Services

- 3.5 We carried out new work to certify the first grant claim on the £4.7m Afghan Resettlement Project, where the Council is the accountable body for a grant that is then applied by a number of Greater Manchester authorities. Substantial assurance was provided that the submission to the Home Office complied with grant conditions.
- 3.6 Community Alarms Service was given moderate assurance. We took some assurance from annual assessments of monitoring and response functions by the standards body, who were satisfied with arrangements in place. We made recommendations for stock control and write off procedures and improved guidance to support service provision and user understanding.
- 3.7 On starting our related agreed audit of contract management arrangements in Assistive Technology we established that the Commissioning Hub had in fact carried out a detailed review of the same issue in October 2015 and we are planning to review findings and recommendations made with the Head of Customer Access and to consider what scope has been covered in that work and to assess the level of assurance we can take from it.
- 3.8 We will present a draft of an Adults Service assurance map to the Adults Performance Improvement Board on 14 January. It is based on the three lines of defence model and covers key strategies and all Adults' services. We will engage management in assessing the first and second levels of defence and in developing the approach.
- 3.9 Adults Safeguarding Case management report provide limited assurance. We found scope for improvement in areas such as the Making Safeguarding Personal approach and recording case conferences and protection plans. Issues raised on previous audits remain particularly timeliness of activity, quality assurance and use of management information. Given similar findings in previous audits we made one recommendation that the TASC Programme addresses issues with safeguarding culture and practice which was accepted and we attend the TASC Board to observe Programme implementation.
- 3.10 The Disclosure and Barring Service Checks was originally on the 2014/15 Adults audit plan but the scope evolved over time and we reported to the Shared Service Centre Manager pending identification of a strategic owner. We gave limited assurance over compliance with arrangements to undertake, monitor and manage DBS checks for employees. The procedural framework was not up to date, evidence did not support decisions where checks had identified issues, officers were serving in roles requiring DBS with no recent check and there had been no continuity in Children's and Families Lead Countersignatory role. Recommendations were accepted and a working group established to address the issues being led by senior officers. Key

actions required are underway including confirm the lead Countersignatory role however there is further work to do to ensure exposure to risk is addressed and we are assessing progress with the City Solicitor this month.

- 3.11 The following provides the status of audit work carried out and additional work done along with opinions issued to date.

Audit Area – Planned	Audit Status	Assurance Opinion	Capacity to Improve
B/f 2014/15			
MEAP: Contracts <i>Issued Final 01/05/15</i>	Final Short Report	Moderate 	Not Assessed
Education Operational Services: Statutory Assessment Team <i>Issued final 27/05/15</i>	Final	Moderate 	High 
Free Early Education Entitlement: Funding Assurance Framework <i>Issued final 26/06/15</i>	Final	Limited 	High 
Disclosure and Barring Service (DBS) <i>Issued final 24/09/15</i>	Final	Limited 	High 
2015/16			
Grant Certification: Evidence Based Interventions Programme <i>Issued certificate 18/06/15</i>	Final Complete And Certified	Substantial 	N/A
Grant Certification: Troubled Families Phase 2 <i>Issued certificate 28/09/15</i>	Final Complete And Certified	Substantial 	N/A
Grant Certification: Afghan Resettlement Project <i>Issued final 11/12/15</i>	Final Complete And Certified	Substantial 	N/A
Internal Foster Care Placements <i>Issued final 09/10/2015</i>	Final	Moderate 	High 
Alternative Provider Framework Contract: Secondary PRU <i>Issued final 08/01/16</i>	Final	Limited 	Medium 
Ofsted Social Care Improvement Plan Delivery <i>Issued final 10/11/15</i>	Final	Substantial 	Medium 
Social Care Casework – Looked After Children <i>Issued final 02/12/15</i>	Final	Limited 	Medium 
Children’s Services Live Case Audit <i>Issued final 30/11/15</i>	Final	Limited 	Medium 
Safeguarding Casework Management: Adults	Final	Limited 	

Audit Area – Planned	Audit Status	Assurance Opinion	Capacity to Improve
<i>Issued final 17/11/15</i>			Medium
Community Alarms <i>Issued final 18/12/15</i>	Final	Moderate 	High 
Client Financial Services: Appointeeships and Deputies <i>Issued final 12/01/15</i>	Final	Substantial 	High 
Children Missing from Home / Care	Fieldwork Completed	Set at Draft	Set at Final
Assistive Technology	Fieldwork Completed	Set at Draft	Set at Final
Manchester Mental Health Trust: Safeguarding Compliance	Fieldwork Completed	Set at Draft	Set at Final
Grant Certification: Troubled Families Phase 2 Oct 15 – Jan 16	Planning	Set at Draft	Set at Final
Health and Social Care Integration	Planning	Set at Draft	Set at Final
Early Help Delivery	Planning	Set at Draft	Set at Final
Foster Care Payments	Planning	Set at Draft	Set at Final
Resource Allocation System: Learning Disabilities	Planning	Set at Draft	Set at Final
Independent Living Fund	Planning	Set at Draft	Set at Final
Schools Financial Values Statement - Submission	Qtr 4	N/A	N/A
Multi-Agency Safeguarding Hub	Deferred to 2016/17		
Travel Coordination Unit	Deferred to 2016/17		

Schools

- 3.12 Internal Audit obtained approval from the City Treasurer to buy in resource to support delivery of the 2015/16 standard school audit programme in collaboration with Bolton Council. The exercise was advertised and formally assessed in December and a decision taken to allow audit work to begin mid January. The objectives are to provide resource for the audit work planned as well as to seek some independent input and review of the schools audit programme to ensure it remains fit for purpose. All work will be overseen by the Audit Manager.
- 3.13 The table shows the progress status for the schools work already undertaken

with opinions issued to date and this will be updated with the additional work and opinions by year end.

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
2014/15 Plan (brought forward)			
St Aidan's RC Primary 08/06/15	Final	Moderate ●	High
Chorlton C of E Primary 09/04/15	Final	Moderate ●	High
2015/16 Plan			
Wilbraham Primary 14/07/15	Final	Moderate ●	High
St Mary's RC Primary 15/07/15	Final	Moderate ●	High
All Saints C of E Primary 10/07/15	Final	Substantial ●	High
Abraham Moss Primary and Secondary 22/07/15	Final	Substantial ●	High




Audit Recommendations and Exposure to Risk












- 3.14 We follow up outstanding recommendations and report progress regularly to Directorate management and to SMT. The percentage of significant, major or critical recommendations implemented in Children and Families is 61% which is significantly higher than last quarter. This is in part due to the closer engagement with Adults Services Managers through presenting recommendation updates to Adults Performance Improvement Board. While exposure to risks remain this has reduced in some areas and we will continue to work with managers to address overdue actions.
- 3.15 For schools the percentage of significant, major or critical recommendations implemented was 57% which is improved on the past period from 48% but there is still significant room for improvement.

4 Corporate Core

- 4.1 A compliance audit of the Council staff appraisal system was done to support the HROD review of appraisal processes and options for the future. This reported limited assurance over compliance with existing processes in the draft report which was not unexpected by management. The approach to completion of appraisals was inconsistent and there were inaccuracies in reported performance data. HROD will consider the findings as part of an overall review and there are considerations underway for the introduction of a revised appraisal process for the start of 2016/17 which should address the key areas of risk identified.

- 4.2 We gave moderate assurance for Absence Management compliance in a draft report. While a large number of cases were managed in compliance with expectations there were some issues related to completeness of the policy and data quality, particularly with regard to cases where there were industrial injury or Equality Act considerations, or for staff working non-standard working patterns. We have made recommendations to improve controls and are awaiting a management response to these.
- 4.3 We have completed field work on a planned audit of ICT Incident Management. As there was a significant incident leading to an ICT outage in December, we agreed with the Head of ICT Operations to review the management of this incident while it was ongoing, in order to form our opinion over the effectiveness of controls. We will be feeding back to managers and aim to issue a draft report in January.
- 4.4 We are developing an ICT Security Assurance Map to test the effectiveness of the application of the three lines of defence model a function level and this is in draft awaiting management review and contributions. There has been some delay to delivery as ICT resource has recently been focused on the remedial work arising from the unplanned outage in December and it is intended to revisit this in quarter four.
- 4.5 Work on core systems continues as planned with a number of audits agreed for audit in quarter four. We provided substantial assurance over the Council payroll system and have given a moderate assurance over specific aspects of Fixed Assets in a piece designed to support the business in addressing accounting issues. The scope of some of the proposed quarter four core financial systems work will be review to ensure the scopes and timing are coordinated with external audit requirements.
- 4.6 The table below reports progress on planned audit assignments for the Corporate Core and work status for 2015/16 along with remaining work finalised from 2014/15. We have deferred a number of pieces of work for consideration in 2016/17 audit planning, to enable us to focus on higher risk areas of operations. In particular, we are currently scoping a piece of work on ICT security, to give assurance over a number of aspects of this area.

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
2014/15 Plan (brought forward)			
BDUK Pre-Registered Packages (Grant Certification) 29 /6/15	Final	Moderate 	Not assessed
Troubled Families Expanded Programme: System Development 2/11/15	Final	Substantial 	Not assessed
Annual Governance Statement 2014/15 8/7/15	Final	Not assessed	
General Ledger	Final	Substantial 	Not assessed

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
5/6/15			
Income Management – SAP 10/4/15	Final	Full	Not assessed
Payments – SAP 18/5/15	Final	Substantial 	Not assessed
Payments – Other: Manual Uploads 29/7/15	Final	Moderate 	Not assessed
Fixed Assets	Cancelled	Not Applicable	
Bereavement Services 28/5/15	Final	Moderate 	High
Risk Based Verification 11/9/15	Final	Not assessed	
Change of Bank – Co-Op to Barclays	Deferred	On 2015/16 plan	
2015/16 Plan			
Treasury Management 5/6/15	Final	Substantial 	Not assessed
Registrars & Coroners Financial Systems 15/7/15	Final	Substantial 	High
Carbon Reduction Commitment (Grant Certification) 24/7/15	Complete and Certified	Not assessed	
M-Four Translations 9/9/15	Final	Limited 	High
MiPeople	Final	Advice and Guidance	
ICT – review of outstanding recommendations	Draft	Referred Risk	
ICT Security – Assurance Mapping	Draft	Not assessed	
Channel Shift Phase 2 8/9/15	Final	Substantial 	High
Budget Setting 27/8/15	Final	Full 	Not assessed
Payroll 3/11/15	Final	Substantial 	Not assessed
Fixed Assets 23/12/15	Final	Moderate 	Not assessed
Staff Appraisals 23/12/15	Draft	Limited 	Set at Final
Absence Management 23/12/15	Draft	Moderate	Set at Final
SAP Access Working Group	Fieldwork complete	Advice and Guidance	

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
ICT Incident Management	Field Work Complete	Set at draft	Set at final
AGS/Significant Partnerships Register	Field Work Started	Set at draft	Set at final
Adults Financial Assessments	Field Work Started	Set at draft	Set at final
Council Tax	Field Work Started	Set at draft	Set at final
Bailiff and Debt Recovery – Penalty Charge Notices	Planning	Set at draft	Set at final
Electronic Documentation Working Group	Planning	Set at draft	Set at final
Business Rates	Planning	Set at draft	Set at final
Housing Benefit	Planning	Set at draft	Set at final
ICT Security	Planning	Set at draft	Set at final
Income - SAP	Not started		
General Ledger	Defer		
Local Government Transparency Code	Defer		
Corporate Performance – Management of Data	Defer		
Payments SAP	Defer		
Payments -Other	Defer		
Income - Other	Defer		
Budget Monitoring	Defer		
Freedom of Information – Review of Responses	Defer		
Weekly fees payroll	Defer		
Bank Transfer – Income and Expenditure Reconciliation	Cancel		
ICO Audit Support	Cancel		

Audit Recommendations and Exposure to Risk









- 4.7 The overall percentage of Critical, Major or Significant recommendations implemented is 46% against a target of 70%. We are reviewing outstanding

recommendations from a number of older ICT related audits and will re-assess the exposure to risk and practical actions required with the business.

5 Growth and Neighbourhoods

- 5.1 Internal Audit provided moderate assurance over the effectiveness of the taxi licensing complaints process. This opinion was impacted by a number of areas where we consider the process could be strengthened specifically: increased consistency in the application of key processes such as timescales and document management; demonstrable evidence of management review; and enhanced analysis of data for trends.
- 5.2 Internal Audit offered advice on the Manchester Home Improvement and Relocation Assistance Policy as part of an internal review by Housing staff to refresh the policy and ensure it meets current needs. We supported proposed changes which removed outdated references to old schemes and provide a consistent fee structure across the range of loans offered. We agreed to work with Strategic Housing on reviewing the suitability of in-house eligibility checks and explore the possibility of Internal Audit undertaking proactive anti-fraud work in the area, starting with an initial discovery exercise on death/sale/transfer queries.
- 5.3 For Broadband Delivery UK (BDUK) processes we provided moderate assurance. We confirmed that Council staff complied with the overall scheme requirements including reasonable steps to ensure that suppliers were carrying out the mandatory eligibility checks on applications. We were satisfied that that claims were only paid to eligible applicants following successful installation in accordance with grant conditions. However, the design and limitations of the scheme regarding value for money and supplier overcharging, particularly with regards to pre-registered packages, prevent us from issuing a higher assurance opinion.
- 5.4 There was compliance with established procedures for case management for Anti Social Behaviour (ASB) referrals and we provided moderate assurance in our draft report. We consider that some areas require strengthening, specifically: Improving the quality and completeness of some case records including capturing the full history of the case and decisions and actions taken; consistency in the handling of different types of ASB referrals; more timely updates of records; and prompt closure of cases where no further action was required or the case was completed. A proposed migration from Case Manager 3 possibly to Flare offers management an opportunity to consider the most appropriate system for the administration of ASB cases and further improve compliance.
- 5.5 We provided substantial assurance over the handling of housing service requests within Private Sector Housing. We recognised and support the consistent approach to the handling cases across the current mix of generic and specialist teams undertaking housing cases and the effectiveness of the process
- 5.6 The table below reports progress on planned audit assignments for 2015/16

along with remaining work finalised from 2014/15.

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Brought forward from 2014/15			
Housing Loan Related Transaction	Final	Substantial 	High
Taxi Licensing Business Process Review	Final	Short Report	
Parks Operational Management	Final	Substantial 	Not assessed
Citywide Support – Food Health Enforcement Approach	Final	Limited 	Not assessed
Oxford Road Station Procurement	Advice	Advice and Guidance	
2015/16 Planned and Additional Work			
URBACT 11 (ERDF) – Grant Certification	Final	Compliance Certificate and Report	
New Growth Point – Grant Certification	Final	Compliance Certificate and Report	
National Trading Standards Board – Grant Certification	Final	Compliance Certificate and Report	
Decent Homes Grant Certification	Final	Compliance Certificate and Report	
Highways Grant Claims	Final	Compliance Certificate and Report	
BDUK Pre-Registered Packages (Grant Certification) 29 /6/15	Final	Moderate 	Not assessed
BDUK Superfast Broadband Connection Vouchers: Grant	Final	Compliance Certificate and Report on Claim	
Galleries Trust 11/915	Final	Substantial 	High
Housing Loans - Manchester Home Improvement and relocation Assistance Policy	Final	Advice and Guidance	
Taxi Licensing Complaints	Final	Moderate 	High
Neighbourhood Investment Fund	Final	Moderate 	Not assessed
Neighbourhoods Anti-Social Behaviour (ASB)	Draft	Moderate 	Set at final
Neighbourhoods Housing Condition (Private Sector Housing)	Draft	Substantial	Set at final

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
		●	
Highways Maintenance Efficiency Programme	Planning	Set at final	Set at final
Food Standards Agency Follow Up	Planning	Set at final	Set at final
Waste Contract Handover	Planning	Set at final	Set at final
Parks Strategy	Not Started	Position Statement	
Triangulum Grant Certification	Deferred	Certification date August 16	

Audit Recommendations and Exposure to Risk

- 5.7 The percentage of significant, major or critical recommendations implemented is 32% which is lower than the target of 70%. We are concerned that the implementation level is so low and are currently reviewing the barriers to implementation with management to consider any necessary referrals of risk back to the business and where any follow audit activity may help to reassess the current exposure to risk and provide further assurance. As an example we are referring five recommendations outstanding on Capital Payments audit from 2014 to a new audit planned for this area so that an up to date evaluation can be carried out with senior management.

6 Procurement, Contracts and Commissioning

- 6.1 Internal Audit issued a final report on use of procurement waiver exemptions which provided a moderate assurance opinion over the adequacy of controls in place to support the preparation, processing and approval of waiver exemption requests. We recognise that work is ongoing to address recommended actions to strengthen the processes and management share our view. Agreed actions include the development of further published guidance on the use of waivers, new waiver request form and improved monitoring and reporting arrangements over waiver usage. A fundamental risk remains over ensuring such requests are compliant with the Council's and EU procurement rules and demonstrate value for money while meeting challenging requirements and timeframes required by business areas.
- 6.2 Internal Audit has been involved in the Ethical Procurement Task and Finish group, which has focussed on analysing the Council's existing policy and practices around social value and ethical and sustainable procurement. Members have been active in challenging existing arrangements and recognising areas for development. As a result, a series of actions led by the Head of Corporate Procurement are being progressed and Internal Audit will continue to be engaged in these ongoing developments.
- 6.3 Internal Audit completed work to examine arrangements for contract

management and monitoring compliance within Children's and Families. We recognise that a significant amount of work has been undertaken within the Directorate over the last 18 months to improve quality, availability and accuracy of contract data and information however, this remains an area for further improvement. Our overall findings led to a mixed view on the effectiveness of contract governance arrangements with some specific concerns raised over operational aspects within a number of key contracts and is likely to result in a moderate assurance opinion. Initial findings and observations from our work have been discussed with the Interim Head of Commissioning with a draft report to be finalised shortly.

- 6.4 The effectiveness of contract management arrangements within the Council was the subject of several reports to the Finance Scrutiny Committee during 2011. These reports showed a varied approach to contract management generally across the Council with areas of good practice but recognition that there would be benefits achieved from a standardised approach. We can provide no assurance at this stage that overall contract governance has improved and we remain unsighted on the adequacy of these arrangements in several areas and are proposing further audit work be undertaken across all Directorates during 2016-17 to support management assurance and enhance controls where appropriate.
- 6.5 We have continued to engage with the ACE (Growth) and Interim Head of Delivery to maintain oversight of strategic and operational priorities and direction of travel for Capital Programmes and Property (CP&P). As part of this, we have taken into consideration managements initial view on the effectiveness of existing arrangements;
- An initial 'AS-IS' assessment of the service was conducted by Interim management based on T&T maturity excellence model for a consultancy practice. Current position was described as requiring significant improvement.
 - CP&P Senior Management Team have started to develop an action plan to address strategic and operational issues and priorities. It is envisaged that this action plan will be led by the Interim Head of Delivery but supported by the SMT and will start to move the service to reflect areas of good practice over the next 12 to 18 months.
- 6.6 Alongside this, we are developing an assurance map to assess levels of assurance around key areas of activity within CP&P. This is based on the three lines of defence model and work is continuing with the Interim Head of Delivery to define management opinion and key sources of assurance. Work on this is ongoing and we will share progress with Audit Committee. The main areas of risk facing the service remain as previously reported around resourcing and skills; the outcome of the senior management restructure for CP&P and strategic vision.
- 6.7 We have agreed to support management in CP&P in conducting audits in three areas; Final account payments, Financial control – fee income and

consultant costs, and Supply chain performance management. Work on each of these has commenced.

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
2015/16 Planned and Additional Work			
Use of Waiver Exemptions	Final	Moderate ●	Not Assessed
Contract Management and Monitoring – Children’s Services	Draft	Moderate ●	Set at Final
Assurance Mapping – Capital Programmes	Fieldwork	Set at Final	Set at Final
Children’s Services Contract	Not Started	Set at Final	Set at Final
Barnardos Contract Monitoring - Leaving Care	Planning	Position Statement	
EU Procurement Rules	Fieldwork	Position Statement	
MEAP – New framework Contract arrangements	Planning	Position Statement	
Waste Management Contract	Planning	Set at Final	Set at Final
Contracts – Revenue			
MEAP reactive work – Member Concerns	Draft Report	Investigation Report	
Strategic Commissioning Board – Terms of Reference	Final	Advice and Guidance	
Contracts – Capital			
Thresholds	Final	Advice and Guidance	
CP&P Workflows	Final	Advice and Guidance	
WelcomeHome system	Final	Advice and Guidance	
Commissioning Forms	Final	Advice and Guidance	
Financial Management / Cost control	Planning	Set at Final	Set at Final
Supply Chain Performance Management	Planning	Set at Final	Set at Final

7 Counter-Fraud and Investigations

- 7.1 The Council remains focused and committed to its policy of taking all necessary steps to investigate and act to address fraud and in developing a culture of zero tolerance to fraud and corruption. Detailed information in relation to the Council's approach to anti-fraud action and investigations is included within the Annual Fraud Report, presented to Audit Committee in June each year, but a summary of the work to date is shown below.

Proactive

- 7.2 Work to co-ordinate action on the 2014/15 National Fraud Initiative data matching exercise designed to help prevent and detect fraud, overpayment and error. Matches received are assigned to relevant teams and to Internal Audit's Counter Fraud Team and work is underway to investigate these. Further data matching has commenced with regard to Council Tax data and at this stage work is on schedule and a full report on outcomes will be issued in due course
- 7.3 The approved DCLG funding bid focused on the need to strengthen capacity and increase fraud awareness. As part of this work a new Council Counter Fraud and Irregularity Strategy was introduced and presented to Audit Committee in November. This builds on policies, procedures and actions already in place and articulates the collaborative approach between the Council's own teams; partner organisations and other authorities. The aim is to further develop methods to identify and address fraud and to build capacity and skills in identification and investigation of fraud and in seeking redress
- 7.4 The Whistleblowing Policy was reviewed by both the Audit and Personnel Committees' and also approved by Standards Committee. Work is currently underway with colleagues from HROD to provide a model whistleblowing policy for schools. Next steps include re-launching the policy and holding awareness sessions.
- 7.5 We have continued to liaise with the Fraud Investigation Group and other local authorities with regard to preparations for the transfer of benefit fraud services to the DWP in February 2016. New working protocols have been established and authorised officer roles approved (in line with legislative requirements) to ensure that referrals in relation to Housing Tenancy Fraud are received, risk assessed and investigated appropriately. We are currently liaising with colleagues within the Revenues and Benefits Team to establish similar working processes to enable Internal Audit to triage and investigate irregularities in relation to Council Tax Reduction. To assist with this we are working with Legal Services colleagues to ensure appropriate data sharing arrangements and protocols are in place.

Reactive

- 7.6 The Section has continued to ensure allegations reported to the service are risk assessed to ensure appropriate steps taken to investigate. Internal audit continue to log all referrals received and actively monitor the progress and outcome of cases.

- 7.7 We have received 56 referrals of potential corporate fraud, theft or other irregularity since April 2015, of which 26 were considered to be whistleblowing allegations made either anonymously or from a named source. 15 referrals were received and assessed for action in the quarter of which seven were considered to be whistleblowing. Following risk assessment, some cases were investigated by Internal Audit and others were referred to colleagues in HROD or back to departments or school governors for action, with support provided by Internal Audit as necessary.
- 7.8 Since the establishment of the working protocols in relation to housing tenancy fraud in September 2015 we have received 16 referrals from registered providers which have been assessed and addressed as appropriate. We anticipate this area of work to increase.
- 7.9 The nature, scale and complexity of referrals continued to vary. There have been few detected or proven cases of financial loss as a result of employee related fraud. A number of cases referred related to staff behaviour and conduct issues or service delivery concerns. The descriptions of risk here are kept brief given the ongoing nature of Council and actual or potential police investigations. This is required as revealing related weaknesses in systems of control could increase the risk of crime being committed against the Council or partners. However key risks and issues arising in referrals in the period included breaches in financial controls, attendance fraud, abuse of position, bribery and corruption, misconduct, theft of time, loss of cash and alleged victimisation. Details of outcomes are reported to senior managers, external audit and members as appropriate and summaries reported in the annual fraud report.

8 Recommendation Implementation

- 8.1 Final Internal Audit reports issued include management action plans to address agreed recommendations to address exposure to risk. The effective implementation of these action plans within timescales determined by management is therefore essential. Internal Audit undertakes follow-up work on all recommendations with managers and reports progress to Directorates through the Council's performance management system.
- 8.2 As part of the Council's Performance Management Framework, Internal Audit reporting focuses on critical, major and significant risks as these represent a greater overall risk. The position on implementation in respect of these categories of recommendation is shown below. Of 176 critical, major and significant priority recommendations 162 were due to have been implemented. On assessment we confirmed that 54 had been fully implemented or mitigated through other actions and a further 21 were considered to be to be partially implemented. After removing recommendations superseded, rejected or referred back to management, 52 were outstanding and were being followed up with the business to assess risk and issues related to implementation.
- 8.3 The overall status of higher priority recommendations due to have been implemented by Directorate is shown below.

Critical, Major or Significant Priority Recommendations by Directorate

Directorate	Number	Implemented	Partially Implemented	Superseded	Referred Back to the Business	Outstanding
Corporate Core	52	23	6	0	2	21
Children and Families	80	43	10	6	2	19
Growth and Neighbourhoods	30	8	5	0	5	12
Total	162	74	21	6	9	52

8.4 Internal Audit will continue to work with management to ensure that steps are being taken to manage identified risks and implement recommendations. Where necessary we will assess alternatives for action if the original recommendation is not feasible and will review timetables for implementation with management to ensure priorities can be addressed.

9 Conclusions

9.1 Members are asked to note the Internal Audit Assurance Report to December 2015.