

APPENDIX 1

CORPORATE AFFAIRS AND AUDIT COMMITTEE – INTERNAL AUDIT SCORECARD

Table 1a - Internal Audit Reports Issued in Final (since last update to Corporate Affairs and Audit Committee in Sept 2016)

Audited System /Service	Directorate	Assurance Opinion	Priority			Draft Date	Final Date
			P1	P2	P3		
Middlesbrough Manager and Appraisals	Finance, Governance and Support	Good	0	2	1	28/06/2016	20/10/2016
Agresso	Finance, Governance and Support	Moderate	0	7	3	23/08/2016	03/11/2016
Thorntree Primary School	Children's Services	Strong	0	1	3	18/10/2016	01/11/2016
Marton Manor Primary School	Children's Services	Good	0	0	6	30/09/ 2016	02/11/2016
Lingfield Primary School	Children's Services	Good	0	2	1	19/10/2016	08/11/2016
Pallister Park Primary	Children's Services	Strong	0	0	1	01/11/2016	16/11/2016
Park End Primary	Children's Services	Strong	0	0	1	08/11/2016	16/11/2016
Total		28	0	12	16		

No further Priority 1 actions have been made and no audit reports have been issued with a Cause for Concern (or lower) since the previous update to this Committee. At the time of the meeting of this Committee on 29 September 2016, three

P1 actions from previous years were outstanding. More detail on the Council's progress to implement these actions is provided in Table 3 below which demonstrates that only one of these P1 actions is now outstanding.

Table 1b – Briefing notes issued during the period

Audit Area	Summary
<p>Cashiers (Finance, Governance and Support)</p> <p>Briefing note issued 30/09/2016.</p>	<p>As part of the year-end audit process Middlesbrough Council identified a potential error in its cash balances arising from cash processing. An initial review of the Cashiers Office by financial managers indicated possible weaknesses in the control environment and requested Tees Valley Audit & Assurance Service (TVAAS) to investigate the identified shortfall. The initial purpose of the investigation was subject to detailed review and analysis of the cashiers, banking and accounting records over the last two years. No major error or loss was identified from the initial investigation but a number of control issues were identified. These matters were drawn to the attention of the Interim Chief Finance Officer who agreed to develop an action plan to resolve and repair any control weaknesses in the Cashiers processes and procedures. Additional audit work will confirm the status of these actions later in the financial year.</p>

Table 2 - Total Outstanding Audit Recommendations (that should have been implemented, based on agreed target date, by 31 October 2016)

Directorate	Total outstanding actions	P1	P2	P3
Finance, Governance and Support	3	1	2	0
Economic Development and Communities	2	0	1	1
Adult Social Services	2	0	2	0
Children's Services	0	0	0	0
Total	7	1	5	1

The analysis of the 7 outstanding actions is as follows:

Audit Title	Total	P1	P2	P3	Original Recommendation	Status and Comments
Crematoriums/Memorials	1	0	0	1	When the consultants have reported the findings of their work, a feasibility study should be produced by the Service to assess the merits of proceeding with the project.	Action due by 31/03/2016. Will be closed as implemented when confirmation has been received that the business case submitted on 14 November 2016 has been accepted.
IT Governance	2	0	2	0	It is recommended that the Council's IT Strategy is updated on a regular basis to reflect the Council's strategic IT objectives and that these in turn are aligned with the Council's Priorities.	Original target date for both actions was to have been completed by April 2016 and progress is underway. The actions are to help ensure that the IT governance arrangements support the Council's vision and objectives and have been

Audit Title	Total	P1	P2	P3	Original Recommendation	Status and Comments
					It is recommended that Management review the structure for managing the ICT programme for the Council, and the ICT strategy should be revised in accordance with the outcome of this review.	<p>incorporated into the Council's Improvement Plan.</p> <p>The IT Strategy is being redeveloped and is due to be presented to DMT by the end of November. It will then progress to LMT. It is therefore expected that both actions will have been completed by the end of the calendar year.</p>
Project Governance and Property Disposals	1	1	0	0	Please see Table 3 for the recommended action.	<p>Original date agreed 31/03/2016 and the actions have been incorporated into the Council's Improvement Plan.</p> <p>Target dates for actions were revised as part of the CIP and reported as part of that process. Overall actions are broadly on target against revised target dates.</p> <p>Please see Table 3 for more detail on progress made to date.</p>
Safeguarding Adults	1	0	1	0	Management should consider producing a defined process for how to deal with court of protection referrals, in order that those appointees with high bank account balances	<p>Agreed target date was 01/06/2015 and the auditor is currently following up on progress made.</p> <p>The action will help ensure that policy and procedures in relation to Guardianships are robust and meet</p>

Audit Title	Total	P1	P2	P3	Original Recommendation	Status and Comments
					are treated appropriately.	statutory requirements.
Safeguarding Adults - Guardianships	1	0	1	0	Management should ensure that the draft Policy and procedure - Section 7 Mental Health Act 1983 is suitably aligned to working practices by the Mental Health Team and then is formally approved by both the Directorate and legal services before being fully introduced as guidance for all staff.	Agreed target date was 01/09/2016. Policy due to be presented to DMT in next week or two therefore implementation is imminent.
School Readiness	1	0	1	0	The data sharing agreement should be put into writing in line with the guidance available on the intranet, and then shared with the Data Protection Officer to ensure that it meets the service's requirements whilst complying with relevant guidance.	Agreed target date was 01/09/2016. Work is ongoing and completion is expected before the end of the calendar year. The action is valuable in order to ensure compliance with relevant legislation and to avoid sharing data inappropriately.
Total	7	1	5	1		

It should be noted that Finance, Governance and Support will often have a higher number of recommendations due to the level of focus that each year's audit plan gives to areas of corporate governance.

Progress to implement the three P1 actions that were outstanding in September is detailed in **Table 3** below.

Table 3 – Progress to Implement Priority 1 Actions (that were outstanding at the time of previous meeting 29 September 2016)

Audit	Internal Audit P1 Recommendation	Progress to Date
<p>Project Management (2014/15)</p>	<p>Management should ensure that a bespoke project management framework together with associated procedures are developed and established in order;</p> <ul style="list-style-type: none"> - to deliver projects aligned with and supporting corporate objectives. - to conform to the corporately agreed PM methodology. - to integrate with the organisation's business change management framework. - to be subject to governance and review, and be approved by a senior manager. - to clearly define specific roles and responsibilities, for example: those managing project governance, project board members, project sponsors, project managers and project team members. 	<p>Both actions implemented.</p> <p>The Council's Improvement Plan included the internal audit recommendations in relation to all of the agreed actions arising from the project management audit.</p> <p>A Programme and Project Management Framework guidance document was developed and made available to staff from January 2016. The Framework outlines the expectations for governance, change control and board meetings and will assist with the delivery of all projects/programmes across the Authority. The Framework has been amended following a successful cohort of training to outline the PPM Framework to project managers across the Authority and also to take into account Deloitte's work for the Council on programme management. Deloitte has worked with the Authority, in particular the Change Programme Team, to establish a Programme Management Office (PMO).</p>
<p>Project Management (2014/15)</p>	<p>Management should raise the profile of capital programme monitoring and introduce effective programme management of all capital projects in order to have an overarching process which offers accountability and robust challenge to all project</p>	<p>A governance structure has been agreed to facilitate the consistent monitoring and reporting of projects and programmes. The structure allows for regular reporting</p>

Audit	Internal Audit P1 Recommendation	Progress to Date
	<p>managers / service areas across all directorates. In relation to actual performance and delivery this process will seek to ensure that the organisation's objectives and priorities are met and will also maintain overall financial control.</p>	<p>and decision-making by the Project Sponsor, categorising projects at 3 different levels, highlighting their strategic importance. Terms of reference have been developed for each of the reporting boards to clearly identify and define specific roles and responsibilities. The first cycle of governance boards were held in November 2016.</p> <p>The gateway processes have been introduced to ensure that projects receive official sign-off from the outset and are aligned with the Council's strategic priorities and the Mayor's Vision.</p> <p>There has been an assessment of the budgets within the capital programme to identify those allocations which are projects that will need to follow the PMO governance structure, those which are business as usual or which require financial monitoring only. A categorisation tool has been developed for scoring projects and to establish which monitoring route is the most appropriate for a project.</p> <p>Following agreement of a project brief and the categorisation of a project, the project manager is required to complete a detailed financial sheet within the Project Initiation Document which meets the requirements of the existing capital appraisal application and also ensures project viability prior to application of funds.</p> <p>Now that the framework and processes have been developed, the next stage will be to ensure that they are</p>

Audit	Internal Audit P1 Recommendation	Progress to Date
		successfully embedded as Council practice and further internal audit work will review this in due course.
<p>Project Governance and Property Disposals (2015/16)</p>	<p>In conjunction with the recommendations made in the internal audit report on Project Management, Council senior management should, as a matter of urgency, develop an action plan to effectively address all of the issues highlighted in this project governance report. The main issues highlighted have resulted from a lack of effective frameworks and due diligence over processes and a lack of clear and central audit trails to detail rationale behind decisions made. This action plan should be approved in the first instance by Council management and the Council's Section 151 Officer and ultimately CMT. The action plan should include the following:</p> <ul style="list-style-type: none"> • To implement improvements to ensure an effective asset disposal framework; • To carry out post evaluation reviews for each project/scheme - to assess best value and achievement of objectives; • To review and improve the framework for the control, monitoring, accounting and recording of Section 106 obligations; • To ensure that CMT meeting minutes clearly set out the decision made and the reason for that decision. <p>It is further suggested that TVAAS Auditors monitor the directorate's progress against the action plan to ensure that proposed actions will address the issues raised and that they are being taken forward in an appropriate and timely manner with required evidence of regular progress being submitted on an agreed milestone basis.</p>	<p>The current status of this recommendation is that action is still ongoing.</p> <p>All points included within the recommendation have been incorporated into the Council's Governance Improvement Plan.</p> <p>S106 framework – the Head of Planning has completed the review of the section 106 framework. As a result a revised framework of processes is being developed. This framework will identify:</p> <ul style="list-style-type: none"> • the appropriate stages for the S106 processes. • the key strategic infrastructure requirements, costs, criteria for contributing, and how this links to the Investment Strategy; • the roles that need to be involved and where any potential delays/bottlenecks exist in the process; • when authorisation is required and by whom and that written confirmation is required to allow the process to progress to the next stage; • agree how compliance with the framework will be monitored. <p>Progress has been made with this framework and it is anticipated that a draft version will be available to be presented for discussion to LMT in December 2016. In the meantime, the Head of Planning is reviewing and reinforcing those areas in the current system where there are identifiable weaknesses with the intention of</p>

Audit	Internal Audit P1 Recommendation	Progress to Date
		<p>putting measures in place to ensure any weaknesses can be minimised (and where possible eliminated). Some measures have already been put in place e.g. LMT approval for key strategic S106 negotiations. In addition, there are already well documented records and processes to facilitate the monitoring of trigger points and the collection of S106 contributions and their allocation to the correct budgets.</p> <p>Asset disposals framework – the Auditor has discussed the required action with key officers. Implementation of the revised process has been delayed from the original agreed target date in order to ensure that the revised process effectively addresses the original concerns as outlined in both the internal audit and external audit reports. This is a key action on the Council Improvement Plan and the Council has procured specialist resources to ensure that the process is implemented effectively. A draft asset disposal policy and framework has been provided by the Strategic Director Finance, Governance and Support to the auditors for their comments and feedback. The policy will be presented to Property Sub Committee in the next few weeks.</p>