

# APPENDIX 1

## Tees Valley Audit & Assurance Services

### Annual Internal Audit Report

#### Middlesbrough Council

# Internal Audit Annual Report

## 2018/19



**Report issued by:** Helen Fowler, Audit and Assurance Manager

**Date:** 25 July 2019

**Distributed to:**

Members of the Corporate Affairs and Audit Committee

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# **Tees Valley Audit & Assurance Services**

## **Annual Report of the Audit and Assurance Manager**

**2018/19**

### **1. Introduction**

- 1.1 The objectives of this report are to:
- a) Provide a summary of the internal audit and assurance work performed in the year 2018/19 and to express an opinion on Middlesbrough Council's overall internal control environment, based on the work carried out.
  - b) To consider the internal audit performance outturn for 2018/19 for Tees Valley Audit & Assurance Services.

### **2. Background**

- 2.1 Since 1 January 2011, the Council's internal audit service has been provided by Tees Valley Audit & Assurance Services (TVAAS), a shared service arrangement between Redcar & Cleveland and Middlesbrough Councils. On 1 April 2014, TVAAS services to Redcar and Cleveland expanded and now incorporates health and safety, risk management and insurance and business continuity.
- 2.2 The work of TVAAS is governed by the Accounts and Audit Regulations 2015 and Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Audit and Assurance Manager is required to report to those charged with governance on the findings of audit work, provide an annual opinion on the Council's internal control environment and identify any issues relevant to the preparation of the Annual Governance Statement. Audit work was undertaken across the Council's services and activities in accordance with an Internal Audit Plan, which was approved by the Corporate Affairs and Audit Committee at its meeting on 29 May 2018.
- 2.3 Internal Audit assists management in delivering the objectives of the Council by working to an annual programme of work that includes assignments linked to corporate risks and priorities, and which seeks to add value by assessing the quality of controls in place to assure delivery, ensure value for money and achieve better outcomes for local people.
- 2.4 The Corporate Affairs and Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements. Reports issued by TVAAS are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended. On behalf of the Corporate Affairs and Audit Committee and the Strategic Director Finance, Governance & Support (Section 151) Officer, TVAAS acts as an assurance function providing an independent, objective assurance and consulting activity designed to add value and improve an organisation's

operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

### 3. Annual Internal Audit Opinion

- 3.1 TVAAS undertakes its programme of work in accordance with the standards set out in the PSIAS. Standard 2450 states that the Council's chief audit executive should provide an annual internal audit opinion and report on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual opinion should be supported by sufficient, reliable, relevant and useful information. The annual report should cover:
- (a) the scope of the work undertaken and the time to which that opinion refers;
  - (b) a summary of the audit work used to form an opinion;
  - (c) the opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
  - (d) any qualifications to be made to the overall opinion and reasons for them,
  - (e) any issues of relevance to the Council's Annual Governance Statement;
  - (f) a statement on conformance with the PSIAS and the results of the internal audit service's quality assurance and improvement programme.
- 3.2 The overall opinion of the Audit and Assurance Manager on the controls operating in the Council during 2018/19 is that they provide **Good Assurance**. This opinion is based on the work performed by the internal audit team during the year 2018/19 (**Appendices A-E**). If reliance has been placed on another assurance body in reaching this opinion, this will be noted against the relevant assignment.
- 3.3 The opinion of Good for 2018/19 considers that assurance can be obtained by the number of reports where the overall opinion is Strong or Good and the action taken to implement recommendations where cause for concern or moderate opinions have been given. No priority one actions have been raised during the year and none are outstanding from previous years. During 2018/19, Internal Audit issued three reports with a cause for concern opinion: S117 Healthcare Costs, Purchasing Cards and Children's Services Financial Management.
- 3.4 Based on the audit work carried out during 2018/19, Internal Audit identified many areas where controls and governance were assessed as being strong or good and the financial control audits continue to consistently receive a high level of assurance. The number of management actions that pass their due date but remain outstanding is lower than in previous years. The main areas where control was found to be weaker during 2018/19 audit work are outlined below.
- 3.5 The purchasing cards audit sample testing identified control weaknesses in relation to the use of purchasing cards which needed to be addressed to strengthen the anti-fraud environment and to ensure that all purchasing cards are used in accordance with procedures. Although there were only seven recommendations included in the report, the majority were the same issues that had been reported in the audit report issued in November 2017. The continued issues included VAT recovery and the fact that 30% of the sample of card holders tested (compared with 31% in the previous audit) were not performing any checks on the validity of their card expenditure. The overall audit opinion was cause for concern and seven recommendations were made (6\*P2 and

1\*P3). Action to improve controls has since been taken by the Council and all actions agreed during the audit have been confirmed as implemented.

- 3.6 At the time of the partnership governance audit carried out in the first half of 2018/19, the Council did not have a corporate framework in place for partnership governance or a partnership register although it was understood that it the intention was for both to be implemented. The audit examined three partnerships: the Health and Wellbeing Board (HWB), the Community Safety Partnership (CSP) and the Children's Trust Board (CTB). All three were, at the time of the audit, in a period of transition or were relatively new in their existing format. Whilst all three had defined terms of references and acceptable governance arrangements in place, there were several areas where greater clarity could be provided and governance could be strengthened to help those partnerships achieve their aims and objectives. Although the audit noted that there was a need for the Council to consider the robustness of its current strategic approach to partnerships, it was emphasised that the Council alone cannot be responsible for effective partnership working and that an equal engagement and commitment from all partners is key to success. The audit report gave an overall opinion of Moderate Assurance and the 23 recommendations (similar actions were recommended for each partnership hence the high number) were accepted with implementation underway. 13 actions have been confirmed as implemented; the remaining are in progress and 5 of the remaining 10 actions have passed the agreed target date (as at 16 July 2019).
- 3.7 The Section 117/Health Care costs audit identified a lack of supporting evidence to demonstrate that the Council is obtaining the appropriate balance between value for money and promoting and protecting the welfare of the Borough's vulnerable adults. The audit opinion was based upon the results of a testing programme developed to ascertain whether the Council's administrative arrangements for S117 aftercare are fit for purpose. Testing was not performed on the actual quality of services being provided directly by the Council's social work teams, therefore, the audit did not provide a judgement on that basis. The audit included 6 P2 recommendations of which none have been confirmed by the Auditors as implemented as the due date is not until August 2019.
- 3.8 The audit of Children's Care Financial Management highlighted the severe budgetary pressures being faced by Children's Services. Although this is a national trend and not unique to Middlesbrough; there is scope to improve existing processes in terms of implementing a future predictive cost model and ensuring a co-ordinated monitoring approach between the 2019/20 budget, the Savings Plan, and the proposed Looked After Children Sufficiency Strategy. The Auditor identified some mitigating actions stated on the risk profile that were not in existence yet and has recommended a full review of the profile to ensure that it is an up to date and accurate assessment of how this risk is being managed. This report included 8 recommendations of which none have been confirmed as implemented as the due dates are not until the end of July 2019 or later.
- 3.9 During 2018/19 Internal Audit carried out sample testing to confirm that controls remain in place in relation to the disposal of land and property assets. This area has been a previous area of concern as noted by both the internal and external auditors. Due to the processes implemented, the external auditors removed their value for money qualification in the 2017/18 financial statements. The purpose of internal audit testing in 2018/19 was therefore to provide assurance that the

controls remain in place. The final report was issued with an overall opinion of Good assurance.

- 3.10 For the previous year 2017/18, approximately 134 internal audit recommendations were made of which 128 have been closed as implemented. Only 6 actions remain outstanding (5 P2 and 1 P3) of which none had passed their due dates (at the time of writing 25 June 2019). For 2018/19, 172 actions have been recommended (based on final reports), of which the risk has been accepted for two actions (one within a school audit and the other within the Delivery of Short Breaks Provision audit); 62 have been implemented to date. Of the 108 that have yet to be implemented, 18 have passed their agreed target date (as at 16 July 2019).
- 3.12 2018/19 provided sufficient flexibility and contingency to enable several variations to the agreed audit plan to take place. **Appendix G** details the main variations to the version of the plan originally agreed in May 2018. It is inevitable that some audits will not be delivered from the Plan either due to changes in priority or because there has been an unexpected impact on resources for example, due to long term absence. Any audits deferred from 2018/19 that are considered to still be required have been reflected in the 2019/20 Internal Audit Plan that was presented to the Committee at its meeting on 6 June 2019.

#### **4. Internal Audit Resources**

- 4.1 TVAAS is hosted by Redcar & Cleveland Council and the internal audit provision is delivered through a joint arrangement with a service level agreement setting out the terms of the service to be provided to Middlesbrough Council.
- 4.2 TVAAS comprises officers from internal audit, health and safety, risk management, insurance and business continuity and currently has a staffing resource of 14 staff. Officers across the combined Audit and Assurance Team share information and assist the timely communication and resolution of risk and areas of non compliance. Some resourcing issues and pressures were encountered during the year due to long term absence. In addition, the Team has been training two auditors who have been work shadowing more experienced members of the Team.

#### **5. Value Added**

- 5.1 From the outset, one of the objectives of the shared service was to add value in the work that it performs. As Middlesbrough Council faces significant and challenging financial pressures in the years ahead, it is vital that TVAAS' work supports the Council in achieving its objectives.
- 5.2 To ensure that TVAAS delivers an effective internal audit service, the Audit and Assurance Manager completes an annual assessment of the internal audit service against the criteria as set out in the Public Sector Internal Audit Standards. The summary assessment is included in a separate report to this meeting's agenda. The full assessment was subject to independent review (in accordance with the PSIAS requirement for an external review every five years) by Hartlepool Borough Council, who reported in May 2018, satisfactory assurance that TVAAS is compliant with the PSIAS with only minor suggestions for consideration.

#### **6. Appendices**

**Appendix A - Summary of final and draft audit reports issued 2018/19**  
**Appendix B - Type of recommendations made during 2018/19**  
**Appendix C - Final reports with a Moderate Opinion (or less) 2018/19**  
**Appendix D – Priority 1 Recommendations**  
**Appendix E – Basis of Opinion**  
**Appendix F - TVAAS performance outturn 2018/19**  
**Appendix G - Variations to the 2018/19 audit plan**

## APPENDIX A – COMPLETED AUDITS/FINAL REPORTS ISSUED 2018/19

**Table 1 – Internal Audit Reports Issued in Final**

Audited System /Service	Directorate	Assurance Opinion	Priority			Draft Date	Final Date
			P1	P2	P3		
Youth Employment Initiative	CS	Strong	0	0	0	28/08/18	24/09/18
Members' Allowances	FGS	Strong	0	0	2	17/09/18	27/09/18
ICT Strategy Measurement	FGS	Strong	0	0	0	17/12/18	18/12/18
Risk verification - failure to secure funding for schools	SC	Strong	0	0	0	21/12/18	24/12/18
ICT Disaster Avoidance	FGS	Strong	0	0	1	29/11/18	28/12/18
Selected Landlord Licensing	GP	Strong	0	0	0	22/01/19	25/01/19
Thorntree Primary School	CS	Strong	0	0	3	04/02/19	04/02/19
Hot Topic – Investment in IT Technologies	FGS	Strong	0	0	0	24/01/19	07/02/19
Health & Social Care Integration	SC	Strong	0	0	2	23/01/19	20/02/19
Priory Woods School	CS	Strong	0	2	2	11/02/19	22/02/19
Investment Strategy	FGS	Strong	0	0	0	09/04/19	11/04/19
Travel & Expenses	FGS	Strong	0	0	4	27/03/19	02/05/19
Creditors	FGS	Strong	0	1	1	18/04/19	04/06/19
Hot Topic – Cyber Security	FGS	Strong	0	0	1	17/05/19	11/06/19
Main Accounting	FGS	Strong	0	0	2	21/06/19	26/06/19
Pension Fund Investments	FGS	Strong	0	0	0	05/06/19	28/06/19
Acklam Whin Primary School	CS	Good	0	3	3	26/11/18	06/12/18
Treasury Management	FGS	Good	0	1	0	21/12/18	30/01/19
Delivery of Short Breaks Provision	CS	Good	0	2	5	04/01/19	07/02/19
Newham Bride Primary School	CS	Good	0	2	3	05/03/19	25/03/19

Audited System /Service	Directorate	Assurance Opinion	Priority			Draft Date	Final Date
			P1	P2	P3		
Hot Topic – Workforce Planning	FGS	Good	0	0	0	11/04/19	24/04/19
Attendance Management	FGS	Good	0	0	2	09/04/19	02/05/19
Compliance with grievance policy and process	FGS	Good	0	0	1	12/04/19	02/05/19
Hot Topic - Compliance with General Data Protection Regulations	FGS	Good	0	2	0	12/02/19	09/05/19
Project Management	FGS	Good	0	0	4	16/04/19	20/05/19
Hot Topic - Corporate culture (maintaining employee trust, public confidence and reputation)	FGS	Good	0	0	3	29/05/19	05/06/19
Land & Property Disposals	FGS	Good	0	2	0	16/05/19	07/06/19
Prevention and Early Help Strategies	CS	Good	0	1	2	20/05/19	17/06/19
Debtors	FGS	Good	0	5	2	19/02/19	18/06/19
Payroll	FGS	Good	0	7	0	13/06/19	27/06/19
Council Tax & Business Rates	FGS	Good	0	2	0	17/06/19	02/07/19
Partnership Governance	FGS	Moderate	0	15	8	20/09/18	20/12/18
Place Planning for Schools	CS	Moderate	0	3	1	07/02/19	16/04/19
Onestop Shop	FGS	Moderate	0	6	2	29/03/19	30/04/19
Hot Topic - Vendor risk and third party assurance (outsourcing)	FGS	Moderate	0	3	0	22/05/19	03/06/19
Highways Planning & Maintenance	GP	Moderate	0	5	6	11/04/19	14/06/19
Social Care & Emergency Payments	SC	Moderate	0	5	5	24/05/19	21/06/19



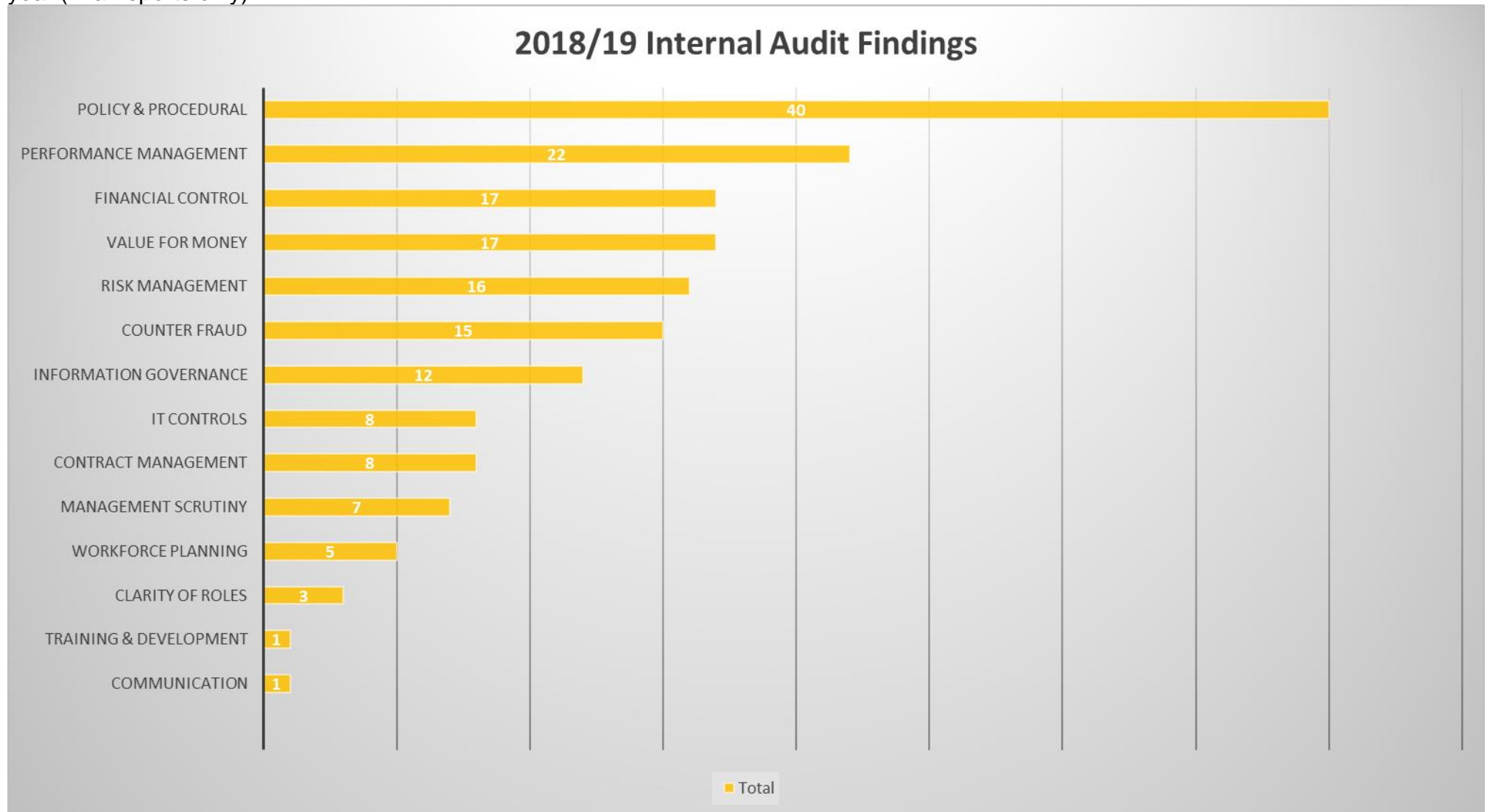
Audited System /Service	Directorate	Assurance Opinion	Priority			Draft Date	Final Date
			P1	P2	P3		
Asset Registers & Inventories	FGS	Moderate	0	7	7	30/04/19	27/06/19
Contract Management	FGS	Moderate	0	5	0	11/06/19	16/07/19
Purchasing Cards	FGS	Cause for Concern	0	6	1	10/08/18	27/09/18
Section 117/ Health Care Costs	SC	Cause for Concern	0	6	0	23/01/19	20/02/19
Children's Services Financial Management	CS	Cause for Concern	0	7	1	03/05/19	21/06/19
<b>Total</b>		<b>172</b>	<b>0</b>	<b>98</b>	<b>74</b>		

Of the 172 (2017/18 – 133) recommendations detailed above, none (2017/18 – 3) were ranked as Priority 1.

**Table 2 - Internal Audit Reports Issued in Draft**

Audited System /Service	Directorate	Assurance Opinion	Draft Report Issued
Business World	FGS	Moderate	14/06/19
MTFP/Budgetary Planning	FGS	Good	24/06/19

**APPENDIX B** - The table below highlights the type of issues being found during 2018/19 (based on 172 recommendations from 2018/19 year (final reports only)



## APPENDIX C – FINAL INTERNAL AUDIT REPORTS 2018/19 WITH AN OPINION OF MODERATE OR LESS

Audit Title	Overall Assurance Level	Summary
Partnership Governance	Moderate	<p>The audit reported the lack of a corporate framework for partnership governance and a partnership register although it was understood that it was the intention for both to be implemented. The audit examined three partnerships: the Health and Wellbeing Board (HWB), the Community Safety Partnership (CSP) and the Children's Trust Board (CTB). All three were in a period of transition or were relatively new in their existing format. Whilst all three had defined terms of references and acceptable governance arrangements in place, there were several areas where greater clarity and governance could be further strengthened to help those partnerships achieve their aims and objectives. Although there was a high number of recommendations from this audit, the assurance opinion was not assessed as a cause for concern because all three partnerships were in the relatively early stages of their current structure and because some of the issues were common across all three partnerships (and therefore the same recommendation was made for each partnership). Although there is a need for the Council to consider the robustness of its current strategic approach to partnerships, it is noted that the Council alone cannot be responsible for effective partnership working and that an equal engagement and commitment from all partners is key to success. The recommendations were accepted; of the 23, there are 10 outstanding of which 5 have passed their agreed target date.</p>
Place Planning for Schools	Moderate	<p>The main issue noted during the audit was the current and anticipated pressure on school place availability, particularly for primary school places in central Middlesbrough and secondary schools throughout the Borough. Plans are in various stages of development to address this issue but the adoption of a more proactive strategy to addressing anticipated shortages in a timely manner would assist the timely management of place pressures. The Auditor also noted a single point of reliance on the Strategic School Place Planning Manager which could result in a workforce resilience issue. In addition, there is scope to improve oversight of the risks relating to School Place Planning and the mitigating actions being taken to manage the associated risks by allocating access to the corporate risk monitoring system to the School Place Planning Manager. Another matter highlighted related to the lack of sample checking of the validity of the information contained within school admission applications. None of the four agreed actions from the audit have passed their target date yet and therefore internal audit follow up has not occurred at the time of this</p>

Audit Title	Overall Assurance Level	Summary
Onestop Shop	Moderate	<p>report.</p> <p>Based on the samples selected, audit testing did not identify any evidence or patterns to suggest that any political group was being treated favourably. The testing (mostly during 2018 but pre process amendments in Nov 2018) demonstrated that the timeliness of providing responses required improvement (4 out of a sample of 10 took more than 10 working days) and that there was scope to be more helpful with some responses by providing clearer explanation when information is unable to be provided. Testing indicated that the amended arrangements since Nov 2018 were having a positive impact on the speed of responses i.e. for the three months Dec 2018 to Feb 2019, the average time taken to close a referral was 5.52 days compared to 9 for the previous 3 months. There were flaws in the existing Onestop process for example, scope to improve the inbuilt alerts to flag up referrals that have not been closed or responded to and the fact that responses provided do not always make the source of the response obvious. This audit did not attempt to dictate what the chosen option should be in terms of the future management of casework and Members' own queries but it was acknowledged that whatever future arrangements are agreed that the selected approach should support the majority of Members in their roles and seek an optimum balance between openness and transparency whilst minimising the impact on public resources. All the agreed actions fall due at the end of June and internal audit follow up will be carried out then to assess the level of implementation.</p>
Hot Topic - Vendor risk and third party assurance (outsourcing)	Moderate	<p>This hot topic assignment determined that the Council has considered the risk of outsourcing services and understands how its business is exposed to the potential interruption caused by a third-party supplier suffering a cyber-attack, losing its licence to operate, becoming insolvent or failing to meet demand. However, through examination of the Council's management of the main underlying risks relating to business resilience and reputation, it was highlighted that the Council could further strengthen its control in the following areas:</p> <ul style="list-style-type: none"> <li>• Map third party suppliers and develop a risk assessment for each to score the likelihood and severity of risk a third party or supplier poses;</li> <li>• Ensure that third party due diligence processes assess the new Human Rights focussed legislation; and</li> <li>• Risk score suppliers and third parties depending on their geography and sector, and therefore susceptibility to human rights, corruption and other risks. Three</li> </ul>

Audit Title	Overall Assurance Level	Summary
Highways Planning & Maintenance	Moderate	<p>P2 actions were agreed but the due date for all is not until the end of the year.</p> <p>Testing identified that evidence was available to show progress with the main overarching strategies which were in the process of approval, consultation or review. The Auditor recommended re is a requirement that all procedural documents are reviewed so that plans are maintained, refreshed and controlled on a regular basis. Testing highlighted that several improvements need to be made regarding the management of the Highway Specialist Services Contract to ensure the control environment is effective going forward. Due to the absence of documented evidence to support monitoring activities the Auditor was unable to provide assurance that the service is actively monitoring its contractor's performance and there is a requirement to introduce a robust contract monitoring regime which is supported by the appropriate documentation.</p> <p>To summarise the main issues highlighted were as follows:</p> <ul style="list-style-type: none"> <li>• There is no evidence to support that KPIs are recorded and monitored;</li> <li>• The audit has had to rely upon the contractor to provide documentation without suitable verification being available from the Council; and</li> <li>• Evidence of suitable monitoring processes was not available; along with the process relating to contract amendments.</li> </ul>
Social care and Emergency Payments	Moderate	<p>This audit focussed on the review of the Council's anti-fraud controls to ensure that the correct payments for adult social care are being made. The main issues highlighted by the sample testing during the audit were:</p> <ul style="list-style-type: none"> <li>• Instances of non-compliance with agreed authorisation limits;</li> <li>• Instances of unauthorised advance payments being made to suppliers;</li> <li>• Discrepancies between care plan records and information held on LAS; and</li> <li>• The absence of signed legal agreements contained in client direct payment files.</li> </ul> <p>Testing also identified several other minor issues which are detailed in the full report. Ten actions were recommended. All actions are outstanding but the target dates have not passed.</p>

Audit Title	Overall Assurance Level	Summary
Asset Registers & Inventories	Moderate	Based on the audit work undertaken, an acceptable internal control environment was identified regarding land and buildings. The Auditor recommended several control improvements to increase the consistency and effectiveness of controls in relation to fleet vehicles, plant and equipment and IT based assets including the need for clearly defined policies and procedures for the disposal of fleet vehicles, plant and high value equipment and the need for stronger control and monitoring over the location of various IT and other related assets. 7 P2 and 7 P3 actions were recommended; six actions have been closed as implemented. The remaining actions have either not fallen due yet or have just fallen due in July and therefore follow up action had not been undertaken at the time of this report.
Contract Management	Moderate	The review was based upon examination of the current corporate contract management framework and four contracts were selected to assess compliance with corporate arrangements. Of these four large contracts, the Auditor considered that only one had effective contract monitoring arrangements in place. The audit identified scope to improve contract monitoring arrangements in terms of the delivery of performance indicators and expected outcomes. Five P2 actions were recommended but, as the final report was only issued on 16 July 2019, no follow up action has been carried out yet.
Purchasing Cards	Cause for Concern	Sample testing identified control weaknesses in relation to the use of purchasing cards which urgently needed to be addressed to strengthen the anti-fraud environment and to ensure that all purchasing cards are used in accordance with procedures. Although there were only seven recommendations included in the report, the majority were the same issues that were reported in the audit report issued in November 2017. The continued issues, for example, with VAT recovery and the fact that 30% of the sample of card holders tested (compared with 31% in the previous audit) were not performing any checks on the validity of their card expenditure has resulted in the auditor lowering this year's assurance level due to the lack of sustained improvement. There are 5 actions still to be implemented from this report although four of them are not due to have been implemented until 2019.
Section 117/ Health Care Costs	Cause for Concern	The audit identified a lack of supporting evidence to demonstrate that the Council is obtaining the appropriate balance between value for money and promoting and protecting the welfare of the Borough's vulnerable adults. Testing focussed on administrative arrangements for s117 aftercare and not the actual quality of services being provided directly by the Council's social work teams. The main issues

Audit Title	Overall Assurance Level	Summary
		<p>highlighted during the audit were as follows:</p> <ul style="list-style-type: none"> <li>• Client lists produced by the Council's system require cleansing and updating;</li> <li>• There was no evidence that partner adherence to guidance and statute had been checked once individual care plans are in place;</li> <li>• There is no process in place to check closed s117 cases by Health for impact upon the LA caseload;</li> <li>• Care plans had not been developed in all instances of s117 aftercare;</li> <li>• There was no evidence that value of money was a consideration during the development of care plans, or during annual reviews; and</li> <li>• There was a lack of evidence to support how individual funding splits had been agreed between the LA and Health.</li> </ul> <p>The management response to the report demonstrated clear commitment to the addressing the recommendations although the due date for all actions is not until August 2019 therefore internal audit has not performed any follow up work.</p>
Children's Service Financial Management	Cause for Concern	<p>Although the financial pressures facing Children's Service are a national trend and not unique to Middlesbrough; the Auditor considered there to be scope to improve existing processes in terms of implementing a future predictive cost model and ensuring a co-ordinated monitoring approach between the 2019/20 budget, the Savings Plan, and the proposed LAC Sufficiency Strategy. A review of current mitigating actions highlighted on the corporate risk management database is recommended to ensure these are an accurate reflection of the current risk framework in place regarding Children's Services Financial Management. Eight actions were recommended of which 7 are P2s. The final report has only recently been issued so none of the 8 actions have passed their agreed target date.</p>

**APPENDIX D – Priority 1 Recommendations During 2018/19**

Audit Area	Audit recommendation	Target Date	Implemented	Comments
No priority one recommendations have been made from internal audit work during 2018/19.				

## APPENDIX E – BASIS FOR ANNUAL OPINION

	2018/19	2017/18	2016/17
Strong reports – Final	16	20	16
(excluding individual schools)	(2)	(4)	(3)
Strong reports – Draft	0	0	0
Good reports – Final	15	8	12
(excluding individual schools)	(2)	(1)	(2)
Good reports - Draft	2	0	1
Moderate reports – Final (excluding individual schools)	8	7	3
Moderate reports - Draft	1	0	2
Cause for Concern reports – Final (excluding schools)	3	4	0
Cause for Concern reports - Draft	0	0	0
Cause for Significant Concern reports - Final	0	0	0
Cause for Significant Concern reports - Draft	0	0	0
Total Recommendations made (final reports - not including schools)	172 (18) for schools = 154	134 (8) for schools = 126	112 (15) for schools = 97
Number of Priority 1 Recommendations	0	3	0
Number of reports (final and draft)	45 of which 4 were schools. 41 exc schools	39 of which 5 were schools. 34 exc schools	34 of which 5 were schools 29 exc schools
% Strong (figures in brackets include schools)	34% (35%)	47% (51%)	45% (47%)
% Good	37% (38%)	20% (21%)	38% (38%)
% Moderate	22% (20%)	21% (18%)	17% (15%)
% Cause for Concern	7% (7%)	12% (10%)	0%
% Cause for Significant Concern	0%	0%	0%
Annual Opinion	Good	Good	Good



## APPENDIX F – TVAAS Performance

Table 1 - Target Outturn for 2018/19

<i>Indicator</i>	<i>Target</i>	<i>Measurement</i>	<i>Status</i>
1) Percentage completion of the agreed annual audit plan	100% - by 30 April 2019	Complete = draft report or other deliverable issued by 30 April 2019.	91% (2017/18:89%)
2) To achieve an average customer satisfaction survey score	3.8	4 is the highest possible score.	4 (2017/18 - 3.77) An increase in performance although this is only based on five returned surveys.
3) % of draft reports issued within 15 days of the end of fieldwork	100%	Target has been increased since 2014/15 due to actual performance exceeding target.	81% (2017/18: 95%) of drafts issued within 15 working days of the end of fieldwork but only 70% (2016/17:64%) finals issued within 20 days of the draft date.  Action – information on significant response delays to be shared with LMT. Training refresher session has been held with auditors on 19 June 2019 to discuss the importance of time management and organisational planning.
4) % Auditor productivity	100% of expected productivity	The number of available productive days is calculated for each member of the team, taking into account estimated absences. This results in an expected number of productive days per officer. The target is for 100% of the Team to meet their expected productivity.	Audit and Assurance Officers average 96% (2017/18 - 93%). Compliance Auditors average 79% (2017/18: 96%) and lower due to one instance of long term absence but also due to induction and training requirements for two new compliance auditors. Performance would have been 90% if taking long term absence from the calculation. Absence has

			been resolved. Please also see table below.
5) Number of assignments completed by target dates set	To meet target dates set at outset of audit (or earlier)	Target will be set by each audit lead and agreed with auditor at the start of each assignment.	Only 35% (2017/18 – 29%) of audits are being delivered by the original target dates set. This is a combination of auditor staff absences during the year but also the time taken to obtain responses to requests for information and responses to reports from auditees. This has slightly improved however the training refresher session on 19 June 2019 has discussed the need for all auditors to effectively manage their workloads and deliver assignments quickly.
6) Number of audits completed within the budgeted time allocation	100%	Each assignment has a set number of days which should be adhered to. If an officer requires additional time then a case should be approved by one of the Team's managers.	60% (2017/18:81%) assignments are currently being delivered either within budget or only a day in excess. The performance dropped during 2018/19 due to the temporary work shadowing and supervisory requirements for the new auditors which resulted in more time being spent on several assignments. This area was also discussed at the training refresher session on 19 June 2019 and will be closely monitored throughout 2019/20 to ensure that improvements in time management are delivered.

**Table 2 - Audit and Assurance Individual Productivity**

	31/03/2012	31/03/2013	31/03/2014	31/03/2015	31/03/2016	31/03/2017	31/03/2018	31/03/2019
Average number of productive days per member of audit team	157	176	189	189	202	216	201	211
% Productivity (based on working days available after annual leave and public holidays)	72%	80%	81%	84%	87%	91%	87%	91%
% Productivity (based on working days available after annual leave, public holidays, sickness and authorised absence)	75%	82%	83%	87%	89%	94%	93%	94%

## APPENDIX G – SIGNIFICANT VARIATIONS TO THE 2018/19 INTERNAL AUDIT PLAN AND APPLICATION OF CONTINGENCY TIME

The following table details areas examined during 2018/19 that were not included on the original internal audit plan (or where significant additional time was required).

Audit area	Estimated days	Time taken from	Reason
Onestop Shop	14		An audit recommended by the external auditors (after the 2018/19 Internal Audit Plan had been approved)

The following audits were not completed from the 2018/19 audit plan:

Audit Title	Comments
Data Quality	This audit commenced but has been deferred into 2019/20.
Performance Management	This audit was not started.
Health & Safety Compliance	This audit was not started and contingency time from 2019/20 Plan will be used to complete the assignment.
Capital programme	This audit was not started as other audits were undertaken where testing would have overlapped with this area.
Integrated Transport Unit	This audit was not started.
Events Management	The events management process was under review at the time that the audit was being scoped and therefore it was agreed to defer the audit into 2019/20 once the future arrangements have been decided.
Housing and Homes Development	Deferred into 2019/20 at the request of the Director of Regeneration.
Homes & Communities Agency & HCA Files & Records Keeping	This audit was no longer considered to be a priority due to previous positive audit results.
Public Health Joint Service	Deferred into 2019/20 at the request of the Director of Public health.
Quality Assurance Framework	Audit was no longer considered to be a priority and therefore was not started.
Domestic Abuse Prevention	Deferred into 2019/20 at the request of the Director of Culture & Communities.
Safeguarding Adults Processes	Time applied to the S117 audit which required more time due to the issues identified.
Capital Accounting	The audit was not concluded in time for the annual report and so will be reported as a 2019/20 audit.