

Audit Committee – 15 January 2018

Internal Audit Progress Report 2017/18

Summary of the Report

The purpose of this report is to update the Audit Committee on Internal Audit's progress for 2017/18 (attached).

Background Papers

Internal Audit reports/monitoring information.

Recommendations

Audit Committee are recommended to note the contents of this report.

A handwritten signature in black ink, appearing to read 'James T. Walsh', with a stylized flourish at the end.

James T. Walsh – Chief Finance Officer

5 January 2018

Resource and Legal Considerations

The Accounts and Audit Regulations 2015 requires councils to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

Governance Issues

The Audit Committee's activities include ensuring that an effective internal control environment is maintained and regular and ongoing scrutiny of internal audit work undertaken. The report supports the Audit Committee in exercising that role.

Citizen Impact

Internal Audit work is intended to ensure that effective systems of internal control are in place. This protects the council and its officers and provides an assurance to stakeholders and citizens regarding the security of council's operations.

Performance and Risk Management Issues

Part of Internal Audit's role is to provide assurance in the council's performance and risk management arrangements. Internal Audit's programme of work is risk assessed to ensure areas most at risk are examined as a priority.

Regular updates are provided to Audit Committee on audits progress against the approved Internal Audit Plan for 2017/18.

The attached report highlights progress against the audit plan as at 30 November 2017. Audit coverage is in line with the plan. Work has included follow up of 2016/17 audits and progress in implementing 2015/16, 2016/17 and 2017/18 recommendations is set out in the attached report.

Equality Implications

Internal Audit has full regard to equalities both within the internal audit service and in the services / activities under review.

Consultation

The annual work plan 2017/18 was consulted upon before its final endorsement by executive directors, senior managers, the Chief Finance Officer and Audit Committee.

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WALSALL COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – 15th January 2018

Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Walsall Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Walsall Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix 5 of this report for further information about responsibilities, limitations and confidentiality.

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Introduction

This progress report to the Audit Committee covers the work carried out since the last audit committee by Mazars LLP.

Appendix 1 outlines progress to date against the 2017/18 Internal Audit Plan.

Background

The purpose of the internal audit plan is to identify the work required to achieve a reasonable level of assurance to be provided by Mazars LLP in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and Members with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work, normally in accordance with a strategic plan and an annual operational plan, as approved by the Chief Finance Officer and the Audit Committee.

As internal audit is a major source of assurance that the Council is effectively managing the principal risks to the achievement of its corporate objectives, a key rationale for the development of the internal audit plan was the Council's own Corporate and Directorate Risk Registers and how the internal audit plan can provide this assurance.

Progress to Date

Progress against the 2017/18 Internal Audit Plan is shown in Appendix 1.

We have issued the following 2017/18 Final reports since the last meeting of the Audit Committee.

- Troubled Families Grant (Evaluation assurance: **Substantial**. Testing assurance: **Good**)
- Local Authority Designated Officer (Evaluation assurance: **Good**. Testing assurance: **Good**)
- CRC Energy Efficiency Scheme (Evaluation assurance: **Limited**. Testing assurance: **Substantial**)
- Pinfold Street Primary School (Evaluation assurance: **Substantial**. Testing assurance: **Good**)
- Alumwell Nursery School (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)
- Brownhills School (Evaluation assurance: **Substantial**. Testing assurance: **Good**)
- Lindens Primary School (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)
- Hillary Primary School (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)
- Housing Benefit & Council Tax Reduction (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)

We have issued the following 2017/18 Draft reports since the last meeting of the Audit Committee.

- RIPA (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)
- Schools Admission Planning (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)
- Payroll & Pensions Administration (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)

We have issued the following 2016/17 Final reports since the last meeting of the Audit Committee.

- Residential Care (Evaluation assurance: **Substantial**. Testing assurance: **Limited**)

Progress to Date Follow-up of Recommendations

2015/16, 2016/17 & 2017/18

The table below highlights the number of recommendations raised in the final audit reports for 2015/16, 2016/17 and 2017/18. It should be noted that progress in implementing recommendations raised is due for follow up as part of the 2017/18 audit plan, and summary of findings to date is shown in the table below:





Year	Total Recommendations	Implemented and no longer relevant	%	Implemented, no longer relevant or partly implemented	%
2015/16	452	444	98%	450	99%
2016/17	417	339	81%	361	87%
2017/18	226	191	85%	194	86%

Appendix 4 provides a summary of the status of all 2015/16, 2016/17 and 2017/18 recommendations where the proposed implementation date was at or before 30th November 2017.

Definition of Assurance & Priorities

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Adequacy of system design	Effectiveness of operating controls
Good		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Good' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.

Priority 1 Recommendations

No priority 1 recommendations have been raised in the final reports issued since the last Audit Committee meeting.

Appendix 1 – Status of Audit Work 2017/18

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Core Financial Systems	Main Accounting	Covering adequacy and effectiveness of controls including access control, journals, virements, etc. CRSA to be applied.	10		Q4							
	Treasury Management, Cash & Bank	Covering adequacy and effectiveness of controls over investments, loans, management information, etc. CRSA to be applied.	10		Q4							
	Accounts Receivable	Covering adequacy and effectiveness of controls over the Accounts Receivable system. CRSA to be applied.	10	7	Q3	Work in Progress						
	Accounts Payable	Covering adequacy and effectiveness of controls over the Accounts Payable system. CRSA to be applied.	10	7	Q3	Work in Progress						
	Budgetary Control	To cover strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	10		Q4							
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	10	0.5	Q4	Work in Progress						

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	10	0.5	Q4	Work in Progress						
	Housing Benefit & Local Council Tax Support	Covering adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations. CRSA to be applied.	15	15	Q3	Final Report Issued	Substantial	Substantial	-	3	4	
	Payroll and Pensions Administration	Covering adequacy and effectiveness of controls over starters, leavers, amendments, etc.	10	8	Q3	Draft Report Issued						
	Asset Management	Assurance over the design and application of controls relating to areas such as asset management strategy, capital accounting.	10		Q4							
	Core Financial Systems Total			105	38							
Operational Risks	Change and Governance											
	Declarations of Interest	Covering adequacy and effectiveness of controls over identifying, reporting and updating declarations of interest in accordance with the Council's Code of Conduct.	15	15	Q2	Final Report Issued	Substantial	Substantial	-	4	2	
	Individual Performance Management and Development	Covering adequacy and effectiveness of key controls over professional training and development, including links from the Employee Performance Review and monitoring of outcomes. To include advice regarding the	15	0.5	Q4	Scoping meeting held						

Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
	changes to the existing procedures.										
CRC Energy Efficiency Scheme	Annual audit and sign off	15	15	Q2	Final' Report Issued	Limited	Substantial	-	5	2	Certification work and report.
Economy & Environment											
Streamlining Services	To cover controls over delivering the proposals for the long term future of libraries	15		Q4							
Regulation of Investigatory Powers Act 2000 (RIPA)	Covering adequacy and effectiveness of key controls over the use of RIPA.	5	4.5	Q2	Draft Report Issued						
Local Growth Fund	Annual audit and sign off	5	5	Q2	Sign off work completed	N/A					
Forest Arts Centre	Covering controls in place for income, procurement, budget monitoring, payroll and promotional activity	7		Q4							
Children's Services											
Troubled Families	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	15	7	Q2 & Q4	Final Report Issued (Q2)	Substantial	Good	-	-	3	
Early Years	Covering controls to ensure arrangements are in place for the increase in 3-4 year old funding from September 2017.	15	12	Q3	Work in Progress						

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
	Local Authority Designated Officer (LADO)	Covering controls to ensure allegations are investigated promptly and fairly, decision making is clearly recorded and comprehensive training is available to staff and partners regarding the role.	5	5	Q1	Final Report Issued	Good	Good	-	1	1	Audit commenced and stopped due to Ofsted inspection. Restarted on 28 th September.
	School Admissions Planning	Covering controls to ensure sufficient school places are available to meet the Borough's needs	16	14.5	Q2	Draft Report Issued						
	Adult Social Care											
	Domiciliary Care	To cover controls in place over expenditure and income received, and to ensure legal requirements are met and assets are safeguarded.	15	0.5	Q4	ToR issued						Audit postponed to Q4 at the request of the Head of Integrated Commissioning and agreed with S151 Officer.
	Market Management	Review of controls in place over contract management across the directorate, and measures adopted to monitor potential provider failure.	15	5	Q2	Work in Progress						
	Safeguarding	A review of the new safeguarding procedures following decentralisation to localities.	10		Q4							To include a sample of DoLs within testing.
	Delays in Transfer of Care	A review of the controls in place for the transfer of service users from hospital	10	2	Q3	Work in Progress						
	Operational Risks Total		178	86								
Strategic Risks	Combined Authority	The specific audit and scope will be agreed with management	15		Q4							
	Programme/Project Management	Programme/Project management assurance in respect of Transformation. A sample of projects in the	20		Q4							

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
		programme will be selected.										
	Procurement	Covering adequacy and effectiveness of the Council's corporate approach to procurement.	20		Q4							
	Partnership Arrangements	Review the arrangements in place for the governance, monitoring and reporting of Partnerships activities. A sample of Partnership arrangements will be selected	20		Q4							
	Performance Management	Covering adequacy and effectiveness of the Council's strategic approach to performance management (including management information, target setting, reporting, roles and responsibilities)	15	12	Q3	Work in Progress						
	Business Continuity & Emergency Planning	Covering adequacy and effectiveness of the Council's arrangements for Business Continuity	15	15	Q1	Final Report Issued	Substantial	Substantial	-	8	4	
	General Data Protection Regulation	Covering controls over the preparations for the adoption of GDPR, including the 12 steps to take now guidance from the ICO	16		Q4							
Strategic Risks Total			121	27								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
	Counter Fraud	Internal Audit will work with the Council in the development of fraud risk, the provision of fraud awareness training, proactive fraud exercises and reactive investigations.	30	8	Q1-Q4							National Fraud Initiative data matching exercise. Attendance at the Midland Fraud Group.
	Risk Management	CRR/Assurance Framework updates to CMT and AC, Risk Management Workshops for staff and Members.	30	7	Q4							Refer to report at agenda item 8.
	Continuous Auditing/Data Mining	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis. Suggested areas of review are Payroll, Accounts Payable or General Ledger.	20		Q3-Q4							Video demonstration of data mining tools to be provided in January 2018.
	Benefit/Savings Realisation	To provide assurance that processes are in place to measure such initiatives.	20		Q4							
	Governance	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. To be used to update the key questions document in preparation for the Annual Governance testing.	10		Q3-Q4							
Governance, Fraud & other Assurance Methods			110	15								
ICT	IT Monitoring and Management Information	A review of monitoring solutions in place for key systems and infrastructure, capability for reporting key IT management information, and	10	0.5	Q3	ToR issued						

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
		management oversight of antivirus tools										
	Social Media Policies and Procedures	A review of the adequacy and effectiveness of the controls in place over the use of Social Media	5	0.5	Q3	ToR Issued						
	IT Strategy	A review of IT Strategy development and management	5	2	Q2	Work in Progress						
	iTrent Payroll Application	A review of the adequacy and effectiveness of controls in place over the Payroll application, including system access, transaction controls, updates and back-up routines.	6	5	Q2	Draft Report Issued						
	Mosaic Application	A review of the adequacy and effectiveness of controls in place over the Adults and Children's case management system, including system access, transaction controls, updates and back-up routines.	6	0.5	Q4	ToR Issued						
	Website Security	A review of key security controls operating over the Council's website	6	0.5	Q4	ToR Issued						
	Management Advice		2									
ICT total			40	9								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	30	20	Q1-Q4							
	Management and Planning	Including attendance at Audit Committee	80	55	Q1-Q4							
	Advisory	Resources used for advice such as project boards	20		Q1-Q4							
Other total			130	75								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
Schools	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	120	100.25	Q1-Q3							
Schools Total			120	101.25								
Days previously used for CRSA			10									
Plan Total			814	346.25								
Ad Hoc/Contingency		Contingency allocation to be utilised upon agreement of the Chief Finance Officer.	63									
TOTAL			877	346.25								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Schools	Beacon Primary School		5	5	Q1	Final report issued	Substantial	Substantial	-	2	6	
	Leighswood Primary School		5	5	Q2	Final Report Issued	Substantial	Substantial	-	4	4	
	New Invention Junior School		5	5	Q1	Final Report Issued	Substantial	Substantial	-	3	3	
	St Michaels Primart School		5	5	Q1	Final Report Issued	Substantial	Limited	-	10	8	
	Millfields Nursery School		5	5	Q1	Final report issued	Substantial	Limited	-	7	7	
	Ogley Hay Nursery School		5	5	Q1	Final Report Issued	Substantial	Limited	-	7	9	
	Sandbank Nursery School		5	5	Q1	Final report issued	Substantial	Substantial	-	6	5	
	Valley Nursery School		5	5	Q2	Final Report Issued	Substantial	Limited	1	6	8	
	Oakwood School		5	5	Q1	Final Report Issued	Substantial	Substantial	-	2	4	
	Chuckery Primary		5	5	Q2	Final Report Issued	Substantial	Substantial	-	4	3	
	Old Church Primary School		5	5	Q2	Final Report Issued	Substantial	Good	-	2	6	
	Alumwell Nursery School		5	5	Q2	Final Report Issued	Substantial	Substantial	-	3	3	
	Fullbrook NurserySchool		5	5	Q2	Final Report Issued	Substantial	Good	-	2	4	
	Mary Elliot School		5	5	Q2	Final Report Issued	Substantial	Substantial	-	3	7	
	Old Hall School		5	5	Q2	Final Report Issued	Substantial	Limited	-	7	7	
	Hilary Primary School		5	5	Q3	Final Report Issued	Substantial	Substantial	-	3	5	
	Lindens Primary School		5	5	Q3	Final Report	Substantial	Substantial	-	5	4	

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
						Issued						
	St James Primary School		5	4	Q3	Draft Report Issued						
	Pinfold Street Primary School		5	5	Q3	Final Report Issued	Substantial	Good	-	3	6	
	Brownhills School		5	5	Q3	Final Report Issued	Substantial	Good	-	1	4	
	St Thomas More Business & Enterprise College		5	0.25	Q4	ToR Issued						
	Admin Time inc SFVS		15	2								
Schools total			120	101.25								

Appendix 2 – Summary of Final Reports

Brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the final reports issued since the last meeting of the Audit Committee are provided in this section.

Troubled Families Grant

This audit confirmed that there was a set criteria in place for identifying Troubled Families. There was evidence available to confirm the families fit the necessary criteria to be classed as a Troubled Family. A sample of families were chosen from the claim to be submitted to ensure there was evidence of assessment, monitoring, and that progress had been made over the required period of time, six months in most cases. There was sufficient evidence to support the validity of the claim, including a breakdown of multiple claims within each family. Where families are eligible for the expanded programme, evidence of this was retained. The audit also confirmed that there was a declaration in place for the authenticity of the claims submitted for payment.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Good

We have raised three priority 3 recommendations where we believe there is scope for improvement within the control environment.

Audit confirmed through audit testing that, the main issue highlighted during the last audit had been appropriately addressed and, Looked After Children (LAC) data was being used to remove any families from the troubled family claims. Audit noted that the LAC data used was slightly out of date and whilst this did not affect any eligible claims, a housekeeping recommendation has been raised for future use.

During the previous audit, it was identified that the Troubled Families Outcome plan lacked some clarity over how it would evidence sustained improvements. However the plan has been reviewed and updated and makes the improvements easier to evidence.

At the previous audit, the team did not have a clearly documented process of how the data to identify eligible claims was collated, however audit confirmed that a Troubled Family Procedure is now in place which sets out the process for collating the data.

Audit carried out a number of tests on the data used to confirm that duplicate records were not included within this cohort of claims and that the source data for the claims was accurately and correctly collated.

Throughout the course of the audit we identified a number of instances where the data within the Links Families IT system was either missing or incorrect. These were minor errors that did not affect the eligibility of cases, however they were highlighted to the troubled families programme team to correct. These are summarised in Section 04 below.

Audit previously raised a recommendation in relation to regularly identifying claim cohorts to prevent the issues of changes in circumstance over a longer period. This has not yet been completed and audit has suggested an approach moving forward, see Section 05 below.

The use of data in Mosaic would assist in being able to more easily demonstrate evidence of sustained improvements for Troubled Families, and audit has brought this to the attention of the team to progress this.

Local Authority Designated Officer

Our audit considered the following areas of activity:

-
- Policies, Procedures & Legislation
 - Awareness & Training
 - Referrals & Record Training
 - Retention
 - Reporting of Referrals

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Good	Good

We have raised one priority 2 and one priority 3 recommendation where we believe there is scope for improvement within the control environment. Our main findings were:

- An action plan is not completed to ensure implementation of priorities within the annual report.

CRC Energy Efficiency Scheme

Our audit considered the following areas of activity:

- Accuracy of Reporting
- Audit Trail
- Data Cleansing & Audit
- Evidence Pack
- Internal Information & Awareness
- Previous Audit Recommendations

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Limited	Substantial

We have raised five priority 2 and two priority 3 recommendations where we believe there is scope for improvement within the control environment. Our main findings were:

- Annual report figures had not been checked or verified by the responsible officers of the Council to ensure that property information and emission figures are accurate and complete. Inaccuracies were identified during the audit certification review.
- CRC annual report figures require submission to the Environment Agency by deadlines set to avoid financial penalty. Only the Primary Officer has sufficient knowledge of the system to submit the return.
- There is no officer currently in post with responsibility over CRC functions, this was also found to be the case during the previous internal audit undertaken in July 2016.
- The evidence pack required in the event of an Environment Agency inspection is incomplete.

Housing Benefit & Council Tax Reduction

Our audit considered the following areas of activity:

- Policies, Procedures and Legislation
- Administration and Assessment of New Claims
- Local Housing Allowance

-
- Reviews
 - Backdated Benefits/Discretionary Payments
 - Payments and Reconciliations
 - Cancellations, Overpayments and Recovery Action
 - Fraud Management

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

We have raised three priority 2 and four priority 3 recommendations where we believe there is scope for improvement within the control environment.

Our main findings were:

- Processes are not always consistently completed resulting in different working practices emerging and varying levels of information being accepted/not accepted in support of housing benefit and council tax reduction claims.
- There are delays in processing of claims and change of circumstances received via email and allocated to the 'group tray'.

Residential Care

Our audit considered the following areas of activity:

- Policies, Procedures and Legalisations
- Procurement
- Residents Property, Savings and Pocket Money
- Cash Imprests
- Inventory
- Service Monitoring
- Budget Monitoring

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Limited

We have raised seven priority 2 and five priority 3 recommendations where we believe there is scope for improvement within the control environment. These are detailed in Section 04 of this report. Our main findings were:

- Gaps in mandatory training for the staff at both Spindle Tree and Hilton Road, including Fire Awareness Training and updating of the training matrices
- Issues around financial control with regard to retaining receipts for imprest requests, handling of children's pocket money and the use of purchase cards
- Inventory not security tagged and updated accordingly after disposals in the log books
- Issue around staff monitoring and the completion of appraisals

Our school audits considered the following areas of activity:

-
- Governance
 - Financial Planning
 - Budget Monitoring
 - Procurement
 - Financial Controls
 - Income Controls
 - Voluntary Funds
 - Extended Activities
 - Banking (including LMS Bank Account)
 - Payroll
 - Petty Cash
 - Tax
 - Assets and Security
 - Insurance
 - Information governance
 - Arrangements are in place for the completion & submission of the SFVS self-assessment form by 31/03/18

Pinfold Street Primary School

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Good

We have raised three priority 2 and six priority 3 recommendations where we believe there is scope for improvement within the control environment. Our main findings were:

- Approval is not sought from governors for service level agreements / traded services.
- Cash collection and banking procedures should be strengthened.
- Payments from the school fund are not approved by an authorised signatory.

Alumwell Nursery School

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

We have raised three priority 2 and three priority 3 recommendations where we believe there is scope for improvement within the control environment. Our main findings were:

- Orders and their corresponding invoices are authorised by the same member of staff.
- The amount of cash held in the safe has exceeded the insurance limit.
- Cash payments from the schools fund are not authorised.

Brownhills School

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Good

We have raised one priority 2 and four priority 3 recommendations where we believe there is scope for improvement within the control environment. Our main findings were:

- There is no evidence that budget monitoring reports are checked by the Head Teacher.
- The School does not have a Freedom of Information Policy.

Lindens Primary School

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

We have raised five priority 2 and four priority 3 recommendations where we believe there is scope for improvement within the control environment. Our main findings were:

- The resource committee terms of reference do not include the Head Teacher's delegated expenditure limit.
- Monthly budget monitoring does not include a review of payroll report.
- Approval is not sought from governors for service level agreements / traded services.
- There is no independent check of income banked into the school fund.
- Card payments from the LMS account had not been approved by an authorised signatory.

Hillary Primary School

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

We have raised three priority 2 and five priority 3 recommendations where we believe there is scope for improvement within the control environment. Our main findings were:

- Two governors have not yet provided evidence of their DBS certificate.
- Orders and invoices are signed by the same officer and governor approval had not been obtained for a purchase in excess of the Head Teacher's delegated limit.
- The school does not have a Freedom of Information Policy.

Appendix 3 – Summary of Unplanned/Irregularity Reports

No unplanned or irregularity reports have been issued since the last meeting of the Audit Committee.

Appendix 4 - Follow-up of Recommendations 2015/16, 2016/17 and 2017/18

Follow-up audits have been undertaken in accordance with the 2017/18 audit plan. The objective was to confirm the extent to which the recommendations made in 2015/16, 2016/17 and 2017/18 internal audit final reports have been implemented.

Outstanding and Partly Implemented High Priority Recommendations from 2015/16, 2016/17 and 2017/18*

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
Residential Charging May 2016	Limited	Procurement	It should be ensured that the issue of having to manually calculate budget monitoring reports is addressed as part of the implementation of Mosaic Financials.	Mosaic Implementation Team 30 th Sept 2016 Revised November 2017 Rerevised September 2018	Partially implemented This requirement will be implemented as part of Phase 3 Finance implementation. Once all the services have been migrated from current source systems into Mosaic and the system is live budget monitoring will become an automated process and relevant reports will be developed to support the department. Revised September 2018
			Contracts will be awarded following cabinet approval regarding fee rates.	Lead Commissioning Officer 1 st July 2016 Revised 31/10/16 Rerevised April 2018	Not implemented Advised that transitional contracts in place, but nothing awarded as waiting on procurement and legal. Revised deadline April 2018

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
Shared Lives May 2016	Borderline Significant	Payments to Carers	It will be ensured that: <ul style="list-style-type: none"> Evidence that the funding has been approved is held on Mosaic. Support plans are held on Mosaic. Officers will liaise with brokerage regarding differences in payments being made for day care and overnight stays to ensure that they are in accordance with the Social Care Community Based Contributions Policy. 	Group Manager - Learning Disability Dec 2016 Revised March 2018	Partially Implemented Benchmarking with other schemes re payments. Advice sought from Shared Lives Plus. Walsall Council Charging policy is due to go cabinet and following this, there will be a "deep dive" by the lead integrated team commissioner. Revised deadline March 2018
Solihull Framework June 2016	Limited	Independent Review of the Contract	An independent review of the contract is being undertaken, reviewing the works and actions of both the partners and Walsall Council.	Head of Facilities Management Revised date March 2018	Work in Progress Following a review of schemes and issues and detailed discussions with portfolio holder for Change and Governance it has been concluded that the Solihull Framework will not be extended (unless an exception circumstance were to occur) when it expires on 31 March 2018. As a result detailed work has included, but not limited to, prioritizing the identification of other procurement options to the Solihull Framework to secure better VFM for the Council both during 2017/18 and from 2018/19 onwards. Revised date March 2018

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
Appointeeships & Deputyships April 2017	Limited / Limited	<p>Remedial action to address the issues identified in the 2012 appointeeship and deputyship audit report should be completed as soon as possible. The appointeeship project group should ensure that all relevant work is completed and regular progress feedback is provided to Adult Social Care executive management and Legal Services.</p> <p>All applications for deputyships should be processed promptly to ensure the ongoing safeguarding of these vulnerable service users.</p>	<p>In order for the decision making process for clients to request their appointeeship to be transferred back to Walsall to be reviewed by the DWP a sample of 4 cases was issued to them on 31 March 2017 in order to provide assurance that due process has been followed by the council. An update regarding this will be provided to Internal Audit.</p> <p>Financial Admin will ensure that Deputyship will be considered as an alternative to appointeeship in relevant cases.</p>	<p>Strategic Lead Officer – Project Officer</p> <p>Executive Director – Adult Social Care</p> <p>Head of Community Care</p> <p>Revised February 2018</p> <p>Financial Admin Officer</p>	<p>Partly Implemented</p> <p>The directorate has done everything possible to secure the transfer of the clients back to the Council but has been unable to achieve this. The project has included detailed liaison with the DWP, IBS Managed Account Ltd and Legal. The directorate has proposed to apply for deputyship through the Court of Protection for those who wish to return to the Council (waiving Court of Protection management fees), arguing the provider is not acting in the service users best interest). It is therefore recommended that Compensation is not paid at the moment but can be considered at the time of any transfer back to the Council' Revised date February 2018</p> <p>Where appropriate deputyship is considered as an alternative to appointeeships. Action complete.</p>

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
Community Alarms & Telecare Services June 2017	No / Limited	Provisions for providing a 24-hour call out service require review to ensure that sufficiently trained staff are available to deal with emergency/urgent reports to ensure service users are not left at risk.	<p>The CAS call operator and Response officers are available 24/7; to date the fitting service has never had the resource or budget to support 24/7 fitting and maintenance.</p> <p>To date there has never been sufficient evidence to suggest a dedicated out of hours maintenance team is required.</p> <p>In addition, there are councils that do not operate response services for either maintenance equipment or actual support. Benchmarking with these local authorities will be undertaken as part of the review of service delivery options.</p> <p>All equipment that “fails” can be replaced with an alternative where the kit is peripheral, (i.e. is linked to a base unit), and where Response Officers are suitably trained. They are able to fit out of hours on an emergency basis only however, their priority action is responsive care provision.</p> <p>Action: An additional temporary installation officer has been recruited which has reduced installation times down to 48 hours for urgent and 5 days for routine installations as of 19.05.2017.</p> <p>Action: The Group Manager will make initial contact with Integrated Facilities Management to undertake the scoping of a fitting and maintenance programme, based on an affordable, internal facilities management model or by an alternative delivery model.</p>	<p>Team Manager – Response Service</p> <p>Temporary staff sourced by end of July 2017 to support where needed.</p> <p>Group Manager – Learning Disabilities Commissioning Manager Group Manager – Performance</p> <p>Long Term Plan for Assistive Technology to be presented to EDMT in the summer.</p>	<p>Not yet due for implementation.</p> <p>Revised date December 2017</p>

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
		Capacity and contingency arrangements for installations require review to ensure that, in the event of urgent referrals for telecare, there is sufficiently experienced staff resources available to meet the needs of the 24-hour service provision.	Current fitting time is now within the 2-day period for emergencies (as of 19.05.2017). With reference to the cases cited opposite: they fall within the "Winter Pressures" period where demand for fitting doubles due to the need to exacerbate discharges. All staffing capacity goes out to fit if necessary: including senior staff. The service will only know at the point of discharge once they have the referral from the referring practitioner, not before. If the referral is completed at the point the section 2 notice is issued from the hospital, then time frames will be met. If the referral is not done until the section 5 notice then response will be slower. It is important to add that pendants do not prevent falls. Falls prevention is based on exercise and rehabilitation programmes, which are not delivered by this service. Action: A set of 10 KPIs will be introduced to cover off and monitor timescales similar to those outlined in the TSA accreditation offer.	<p>Team Manager – Response Service</p> <p>Immediate resources have gone in.</p> <p>Group Manager – Learning Disabilities Commissioning Manager</p> <p>Group Manager – Performance</p> <p>Long Term Plan for Assistive Technology to be presented to EDMT in the summer.</p>	<p>Not yet due for implementation.</p> <p>Revised date December 2017</p>

The table below provides a summary of the status of 2015/16 recommendations that have not been reported as implemented at previous Audit Committee meetings.

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Solihull Framework June 2016	Limited	11	10				1				Oct 2016	Mar 2018	
Residential Charging May 2016	Limited	30	21	1			1			7	July 2016	Sep 2018	
Shared Lives May 2016	Borderline Significant	10	8	1	1						Jun 2016	Mar 2018	
Cloud Computing June 2016	Borderline Significant	4			3					1	Jun 2017	Apr 2018	
		55	39	2	4		2			8			

* See 'Outstanding and Partly Implemented High Priority Recommendations from 2015/16, 2016/17 and 2017/18' table at the start of appendix 4 for priority 1 recommendations updated position.

Fully implemented 2015/16 audit reports

Title	Assurance Level	Raised	Implemented	No Longer Relevant
Capital Accounting	Significant	5	5	
Capital Programming	Significant	2	2	
Cash and Bank	Significant	2	2	
Nominal Ledger	Significant	1	1	
Treasury Management	Significant	2	2	
Troubled Families Grant January 2016 Claim	Significant	1	1	
Community Capacity Grant	Significant	1	1	
Autism Innovation Capital Grant	Significant	1	1	
Personal Budgets inc Direct Payments	Limited Progress	16	16	
Looked After Children Follow Up	Significant	5	5	
Schools Property Maintenance Follow Up	Significant	3	3	
Asset Management Follow Up	Limited Progress	6	6	
Growth Deal	Significant	4	4	
Corporate Risk 3b	Significant	3	3	
Payroll Follow Up	Significant	8	8	
Corporate Risk 3a	Significant	6	6	
Accounts Payable Follow Up	Significant	12	12	
Corporate Risk 9	Significant	5	5	
Leamore Primary School	Significant	12	12	
Phoenix School	Significant	19	19	

Title	Assurance Level	Raised	Implemented	No Longer Relevant
Sunshine Infants & Nursery School	Significant	7	7	
Greenfield Primary School Follow Up	Significant Progress	1	1	
Carbon Reduction Commitment Efficiency Scheme (CRC)	Significant	11	7	4
St Thomas of Canterbury Catholic Primary School	Borderline Significant	22	21	1
Software Licensing	Significant	7	7	
Council Tax / NNDR Follow Up	Significant	10	10	
Housing Benefit & Council Tax Reduction Follow Up	Significant	6	6	
Accommodation Services Follow Up	Significant	5	5	
Accounts Receivable Follow Up	Significant	10	10	
Christchurch Primary School	Limited	36	36	
Blakenall Heath Junior	Significant	13	13	
Mental Health Follow Up	Limited Progress	16	16	
Stroud Avenue Family Centre Follow Up	Significant Progress	1	1	
Adult Safeguarding	Borderline Significant	24	22	2
Green Spaces	Significant	9	8	1
Customer Engagement, Consultation & Complaint Management	Borderline Significant	30	19	11
Bereavement & Registration	Significant	14	13	1
Better Care Fund	Significant	2	1	1
Social Media	Limited	11	11	
ICT Risk Management	Limited	6	6	
Bank Reconciliations	Significant	11	11	
Jane Lane School	Limited	31	30	1
		397	375	22

The tables below provide a summary of the status of all 2016/17 recommendations where the proposed implementation date was at or before 30th November 2017 and have not been reported as implemented at the previous Audit Committee meeting.

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Homelessness March 2017	Substantial/ Substantial	5	4								Dec 2017		1
Town & District Centres Markets March 2017	Limited / Limited	12	6		3			2		1	July 2017	Dec 2017	
Facilities Management January 2017	Limited / Limited	15	9					3			June 2017	Sep 2018	3
Pheasey Park Farm Children's Centre January 2017	Substantial / Limited	15									Jun 2017	Dec 2017	15
Appointeeships & Deputyships April 2017	Limited / Limited	18	11	1	3			2			Dec 2017	Oct 2018	1
Adoption & Fostering March 2017	Good / Substantial	4	3								April 2018		1
Community Alarms & telecare Services June 2017	Nil / Limited	20	5								Aug 2017 (temp measures)	Follow up audit Q4	15
Salisbury Primary School June 2017	n/a	20	6	1	6						Dec 2017	Follow up audit Jan 2018	7
Cyber Security February 2017	Limited / Limited	8	3		1						Feb 2018	Oct 2018	4

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Support Planning, Resource Allocation, Personal Budgets & Direct Payments September 2017	Substantial / Limited	12	7		3						Mar 2018		2
Residential Care November 2017	Substantial / Limited	11	7		4						Nov 2017	Jan 2018	
		140	61	2	20			7		1			49

* See 'Outstanding and Partly Implemented High Priority Recommendations from 2015/16, 2016/17 and 2017/18' table at the start of appendix 4 for priority 1 recommendations updated position.

Fully implemented 2016/17 audit reports

Title	Assurance Level	Raised	Implemented	No Longer Relevant
Delves Infant & Nursery School	Good / Substantial	6	6	
Elmwood School	Good / Substantial	4	4	
St Francis Catholic Primary School	Good / Substantial	1	1	
Rowley View Nursery	Substantial / Good	4	4	
Pool Hayes Primary School	Substantial / Substantial	16	16	
St Anne's Catholic Primary School	Substantial / Substantial	14	14	
County Bridge Primary School	Substantial / Substantial	14	14	
St Joseph's Catholic Primary School	Substantial / Substantial	4	4	
Whitehall Nursery & Infant School	Substantial / Substantial	15	15	
St Peter's Catholic Primary School	Substantial / Substantial	11	11	
Blue Coat Federation	Substantial / Substantial	10	10	
Brownhills West Primary School	Substantial / Substantial	11	11	
Castlefort Primary School	Substantial / Substantial	8	8	
Whetstone Primary School	Substantial / Substantial	15	15	
St Bernadettes Catholic Primary School	Substantial / Substantial	19	19	
St Marys of the Angels Catholic Primary School	Substantial / Substantial	10	10	
Abbey Primary School	Limited / Substantial	16	16	
Shorth Heath Federation	Substantial / Substantial	17	17	
St Francis of Assisi	Good / Substantial	10	10	
Code of Conduct for Operational PFI/PPP Contracts	Good / Substantial	1	1	
Accounts Payable	Good / Substantial	2	2	
Main Accounting	Good / Good	1	1	
Troubled Families Grant	Limited / Substantial	5	5	
CRC Energy Efficiency Scheme	Substantial / Limited	10	10	

Title	Assurance Level	Raised	Implemented	No Longer Relevant
Accounts Receivable	Substantial / Substantial	2	2	
Treasury Management	Substantial / Substantial	3	3	
Payroll & Pensions Administration	Substantial / Substantial	6	6	
Budgetary Control	Substantial / Substantial	2	2	
School Improvement Services	Substantial / Substantial	1		1
Little Bloxwich Primary School	Substantial / Limited	16	16	
Human Resources	Substantial / Substantial	10	10	
Housing Benefit & Council Tax Support	Substantial / Substantial	6	6	
Council Tax / NNDR	Substantial / Substantial	7	7	
		277	276	1

The tables below provide a summary of the status of all 2017/18 recommendations where the proposed implementation date was at or before 30th November 2017 and have not been reported as implemented at the previous Audit Committee meeting.

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
St Michael's Primary School July 2017	Substantial / Limited	18	16		1						Dec 2017		1
Millfields Nursery School June 2017	Substantial / Limited	14	11								Jan 2018		3
Business Continuity August 2017	Substantial / Substantial	12	5								Apr 2018		7
Leighswood Primary School September 2017	Substantial / Substantial	8	7								Dec 2017		1
Fullbrook Nursery School October 2017	Substantial / Good	6	5								Oct 2017	Feb 2018	1
Ogley Hay Nursery School September 2017	Substantial / Limited	16	14					1			Apr 2018		1
Mary Elliot School September 2017	Substantial / Substantial	10	7								May 2018		3
Old Hall School October 2017	Substantial / Limited	14	7								Jan 2018		7
Local Authority Designated Officer November 2017	Good / Good	2	1								May 2018		1

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
CRC Energy Efficiency Scheme November 2017	Limited / Substantial	8	5		1						Jun 2018		2
Lindens Primary School November 2017	Substantial / Substantial	9	7								Jan 2018		2
Brownhills School December 2017	Substantial / Good	5	4								Dec 2017		1
Pinfold Primary School November 2017	Substantial / Good	9	8		1						Dec 2017		
Housing Benefit & Council Tax Reduction December 2017	Substantial / Substantial	7	6								Jun 2018		1
		138	103		3			1					31

* See 'Outstanding and Partly Implemented High Priority Recommendations from 2015/16, 2016/17 and 2017/18' table at the start of appendix 4 for priority 1 recommendations updated position.

Fully implemented 2017/18 audit reports

Title	Assurance Level	Raised	Implemented	No Longer Relevant
Beacon Primary School	Substantial / Substantial	8	8	
Oakwood School	Substantial / Substantial	6	6	
Sandbank Nursery School	Substantial / Substantial	11	11	
Chuckery Primary School	Substantial / Substantial	7	7	
Old Church Primary School	Substantial / Substantial	8	8	
Troubled Families Grant	Substantial / Good	3	3	
Declarations of Interest	Substantial / Substantial	10	10	
New Invention Junior School	Substantial / Substantial	6	6	
Hillary Primary School	Substantial / Substantial	8	8	
Valley Nursery School	Substantial / Limited	15	15	
Alumwell Nursery School	Substantial / Substantial	6	6	
		88	88	

Appendix 5 - Statement of Responsibility

We take responsibility to Walsall Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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