

## **Audit Committee – 21 November 2016**

### **Internal Audit Progress Report 2016/17**

#### **Summary of report**

The purpose of this report is to update the Audit Committee on Internal Audit's progress for 2016/17 (attached).

#### **Background papers**

Internal Audit reports/monitoring information.

#### **Recommendation**

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



**James T. Walsh – Chief Finance Officer**

11 November 2016

#### **Resource and legal considerations**

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require 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. This 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 the council's operations.

## Performance and risk management issues

Part of Internal Audit's role is to provide assurance on 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 2016/17.

The attached report highlights progress against the audit plan as at 31 October 2016. Audit coverage is in line with the plan. Work to date has included follow up of 2015/16 audits and progress in implementing both 2015/16 and 2016/17 recommendations is set out in the attached report.

The internal audit contract is subject to key performance indicators (KPI's) including achievement of the audit plan and formal quarterly meetings are held between the Chief Finance Officer and senior representatives at Mazars to monitor performance of the contract. KPI performance as at 31 September (quarter 2) is below.

Standard	Target	Actual at 30 <sup>th</sup> September
Achieve the Annual Audit Plan	100% audits in the annual plan to be completed to draft report stage within 15 working days of the 31 March of each year.	N/A Year-end procedure
Produce annual report which includes an overall assurance opinion for the Council for the year.	To be produced and issued to the Chief Finance Officer within 15 working days from 31 March each year.	N/A Year-end procedure
Annual review and report on the effectiveness of the risk management strategy and its application with comments and recommendations for changes.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	N/A Year-end procedure

Standard	Target	Actual at 30 <sup>th</sup> September
Annual risk management report which provides assurance that the system of risk management and identification is suitable and sufficient for the purposes of the Annual Governance Statement.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	N/A Year-end procedure
Effective completion of audit work.	100% draft reports, which include relevant recommendations, are issued within 6 weeks of the commencement of work.	86% (13/15) Exceptions: <b>Appointeeships and Deputyships</b> where there were delays to receiving information and auditor completed Local Growth Fund and CRC grant audits during this time. <b>Code of Conduct for Operational PPP/PFI Contracts</b> due to summer holidays and assigning responsibility for recommendation.
Achieve performance of quarterly audit work plan	100% expected audits in the quarterly plan to be completed to draft report stage within 15 working days of last day of quarter.	86% (13/15) Exceptions as above.
Produce quarterly progress report in accordance with the specification.	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Completed. Quarter 2 report received on day 17
Produce a quarterly risk management update report	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Completed
Quarterly review of Corporate Risk Register (CRR) and report for Corporate Management Team and Audit Committee	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Completed

The following table sets out the Performance Standards against which the success of the Agreement will shall be measured.

Standard	Target	Actual at 30 <sup>th</sup> September
Notification of planned audits to Secondary Clients. (Not surprise visits).	Secondary Clients to be notified of the start date of each audit (100%) at least 15 working days in advance. In the case of school audits, "15 working days"	100% (34/34)
Issue audit brief.	100% of audit briefs to be submitted to the Secondary Client for comment and approval at least 10 days prior to commencement date of each audit.	100% (34/34)
Conduct exit meetings.	100% to be carried out with Secondary client or their representative within 5 days of the completion of all audit work at a pre- arranged time, as specified in the audit brief.	100% (15/15)
Produce draft report, which reflects the agreed brief.	100% to be produced and issued by the date set out in the terms of reference and within 10 working days of the exit meeting.	86% (13/15) Exceptions: <b>St Anne's and St Francis' Primary Schools</b> which were due to study commitments of the auditors.  Average time to issue for 15 audits is 10.07 days
Produce final report.	100% to be produced and issued with 5 working days of receipt of management response to draft report.	100% (9/9)  Average time to issue is 2.33 days
Complete National Fraud Initiative (NFI) data matching exercise.	Ensure that all data matches are reviewed and investigated on an annual basis in accordance with the timetables provided.	Completed

Standard	Target	Actual at 30 <sup>th</sup> September
Counter fraud work	To maintain and update counter fraud policies, the counter fraud toolkit, training and other counter fraud work as agreed in advance with the Chief Finance Officer.	Work in progress
Follow up on all high priority actions	Reports produced in accordance with timetables set out in the Specification.	Ongoing
Specialist IT / risk audits	Quarterly report detailing percentage of time of qualified or specialist staff utilised in delivery of the audit and risk work undertaken during the quarter	Completed
Respond to unsatisfactory client satisfaction questionnaires/CMT feedback	To be provided to the Chief Finance Officer within 10 working days	N/A
Attendance at planned meetings with both the Chief Finance Officer and external audit as detailed throughout this specification.	Meetings attended by Contract Manager	Ongoing
Attend the Audit Committee meetings in accordance with the Audit Committee Work Programme and Timetable	Meetings attended by Partner or Director or Contract Manager	Ongoing
Provision of audit helpline	Summary of advice provided, to be submitted to chief Finance Officer prior to discussion at quarterly meetings.	No advice requested
Provision confidential reporting hotline answer phone facility.	Summary of calls received and action taken to be submitted to Chief Finance Officer prior to discussion at quarterly meetings.	None received.
Quality control system	Copy to be provided to Chief Finance Officer on an annual basis	Provided

Standard	Target	Actual at 30 <sup>th</sup> September
Compliance with the PSIAS via external accreditation	To provide evidence of the external accreditation	To provide when completed – assessment currently in progress
Provide training for Council Officers, Project Managers and Members in the principles and practices of Risk Management	Provision of training as agreed by the Chief Finance Officer	Directorate workshops planned for Quarter 3
Audit and Risk Training Programme	To provide a copy to the Chief Finance Officer on an annual basis	Year-end procedure

### 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 2016/17 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 – 21<sup>st</sup> November 2016**

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 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, reinterpreted, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpreted, amendment and/or modification by any third party is entirely at their own risk.

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## Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1<sup>st</sup> 2016 to 31<sup>st</sup> October 2016 by Mazars Public Sector Internal Audit Limited.

Appendix 1 outlines progress to date against the 2016/17 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

Audit fieldwork on the 2016/17 Internal Audit Plan has progressed well and audit coverage has been in line with the Plan, as shown in Appendix 1.

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

- Delves Infant and Nursery School (Evaluation assurance: **Good**. Testing assurance: **Substantial**)
- St Anne's Catholic Primary School (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)
- St Joseph's Catholic Primary School (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)
- St Peter's Catholic Primary School (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)
- Carbon Reduction Commitment Energy Efficiency Scheme (Evaluation assurance: **Substantial**. Testing assurance: **Limited**)

We have issued the following Draft Reports for which we are awaiting the final management responses before issuing the Final Report:

- Pheasey Park Farm Children's Centre
- Castlefort JMI School
- St Francis of Assisi School

## Changes to the Plan

The Head of Business Change has requested that the audit of Partnership Arrangements and Shared Services be deferred into the 2017/18 plan due to a difficult restructure and reorganisation which will fundamentally change the service.

## Other Work:

### Fraud review

We have carried out work to review the Council's Whistleblowing Procedure, Anti-Money Laundering Policy, Counter Fraud Policy, Anti-Fraud and Corruption Response Plan and Fraud Risk Register. The suggested amendments arising from this review are currently being considered by management and an update position will be provided at the next meeting.

## Follow-up of Recommendations

### 2015/16 and 2016/17

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





Year	Total Recommendations	Implemented	%	Implemented or partly implemented	%
2015/16	454	308	68%	317	70%
2016/17	78	44	56%	44	56%

Appendix 4 provides a summary of the status of all 2015/16 and 2016/17 recommendations where the proposed implementation date was at or before 31<sup>st</sup> October 2016.

## 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	Evaluation Assessment	Testing Assessment
<b>Good</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		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.
<b>Limited</b>		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.
<b>Nil</b>		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
<b>Priority 1</b>	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
<b>Priority 2</b>	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
<b>Priority 3</b>	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 to date.

## Appendix 1 – Status of Audit Work 2016/17

	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		Q3							
	Accounts Payable	Covering adequacy and effectiveness of controls over the payment of creditor invoices. CRSA to be applied.	10		Q3							
	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.	15		Q4							

Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments	
						Evaluation	Testing	1	2	3		
NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	15		Q4								
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.	20		Q3								
Payroll and Pensions Administration	Covering adequacy and effectiveness of controls over starters, leavers, amendments, etc.	15	0.5	Q3	Terms of Reference Issued							
Asset Management	Assurance over the design and application of controls relating to areas such as asset management strategy, capital accounting, partnership arrangements with voluntary sector / local community groups, etc.	10		Q3								
Core Financial Systems Total		125	0.5									
Operational Risks	Change and Governance											
	Homelessness	Covering adequacy and effectiveness of controls over homelessness, including the approach to developing the Homelessness Prevention Strategy	15	10	Q2	Work in Progress						Fieldwork commenced 26 <sup>th</sup> Sept
	Human Resources	Covering adequacy and effectiveness of key controls over recruitment, workforce planning, sickness absence and training	15	0.5	Q4							

Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
						Evaluation	Testing	1	2	3	
Economy and Environment											
Public Health Information Governance	To cover controls over handling, storing and sharing personal information, reporting data breaches and management reporting.	15		Q4							
Active Living Centres	Covering adequacy and effectiveness of key controls over project management arrangements.	10	8	Q2	Fieldwork completed						
Code of Conduct for Operational PFI/PPP Contracts	Covering the engagement with PFI/PPP partners to improve operational efficiency, and explore opportunities for cost reduction.	10	9	Q1	Draft Report Issued						
Town and District Centres Markets	To cover controls over the operation of a sample of markets within the borough to ensure secure collection and maximisation of income.	10	8	Q2	Fieldwork completed						
CRC Energy Efficiency Scheme	Annual audit and sign off	10	10	Q2	Final report issued	Substantial	Limited	-	6	6	
Local Growth Fund	Annual audit and sign off	5	5	Q2	Completed	N/A					
Children's Services											
Troubled Families	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	10	5	Q2 & Q4	Q2 Final Report Issued	Substantial	Good	-	-	-	Sample testing to confirm September 2016 grant application

Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
						Evaluation	Testing	1	2	3	
Adoption and Fostering	Covering controls in place to safeguard children being moved from care into adoption and fostering arrangements, and that appropriate contact arrangements are in place.	10	0.5	Q3	Terms of Reference Issued						
Residential Care	Covering controls in place regarding the quality and safety of children's residential care.	15		Q4							
Schools Improvement Service	To cover the effectiveness of the arrangements in place to support school improvement and to facilitate co-operation between schools.	10		Q4							
Multi-Agency Working (MASH)	Covering Children's Services	15		Q3							
Pheasey Park Farm Children's Centre	Covering governance and financial controls in place at the Children's Centre	5	4.5	Q2	Draft Report Issued						
<b>Adult Social Care</b>											
Deputyships and Appointeeships	To cover controls in place over expenditure and income received, and to ensure legal requirements are met and assets are safeguarded.	10	9.5	Q1	Draft Report Issued						
Direct Payments and Personal Budgets	Covering controls over the eligibility assessment and monitoring of payments to ensure that vulnerable adults receive appropriate level of care (to include ILF transfers).	15		Q4							
Community Alarms and Telecare Service	Covering controls over the service provided to vulnerable clients.	10		Q3							
Community Capacity Grant	Annual audit and sign off	5	5	Q2	Completed	N/A					



	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	End to End Operating Model	Carried forward from 2015/16	10		Q3							
	Resource Allocation and Support Planning	Carried forward from 2015/16	10		Q4							
<b>Operational Risks Total</b>			<b>215</b>	<b>75</b>								
<b>Strategic Risks</b>	Procurement	Covering adequacy and effectiveness of the Council's corporate approach to procurement, including impact of new EU Procurement Directives.	25	0.5	Q2-Q4	Scoping meeting held						
	Contract Management	Covering adequacy and effectiveness of the Council's corporate approach to contract management.	25	0.5	Q2-Q4	Scoping meeting held						
	Facilities Management	Covering the controls in place over accommodation arrangements, security, cleaning and insurance.	15	14	Q2	Fieldwork completed						
	Partnership Arrangements and Shared Services	Review the arrangements in place for joint strategic needs assessments and the changes in commissioning services.	20	0.5	Q3	Scoping meeting held						Request made by Head of Business Change to defer to 2017/18 due to service restructure.
	Regeneration including Local Enterprise Partnerships	Project management assurance in respect of significant regeneration schemes.	20		Q3							
	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		Q3							
<b>Strategic Risks Total</b>			<b>120</b>	<b>15.5</b>								

Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
						Evaluation	Testing	1	2	3	
Counter Fraud	Internal Audit will work with the Council in the development of a fraud risk register, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.	30	6	Q1-Q4							Attendance at Midlands Fraud Group and CIPFA Fraud presentation, NFI work
Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. Risk Management Workshops for staff and Members.	30	6	Q1-Q4							ICT Risk Management session, CRR updates
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 Asset Management.	20		Q2-Q4							
Benefit/Savings Realisation	To provide assurance that processes are in place to measure such initiatives.	20		Q3							
CRSA	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. To be utilised on a number of the core financials and will be issued prior to fieldwork and used to scope the audit.	15	1	Q3-Q4							
<b>Governance, Fraud &amp; other Assurance Methods</b>		<b>115</b>	<b>13</b>								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
ICT	The specific audits and scopes will be agreed with management	The specific audits and scopes will be agreed with management	40	4	Q2-Q4							
ICT total			40	4								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	30	15	Q1-Q4							
	Management and Planning	Including attendance at Audit Committee	85	35	Q1-Q4							
	Ad Hoc/Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer. -Completion of 15/16 audit work	70	10								
Other total			190	60								
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	77.5								
Schools Total			120	77.5								
TOTAL			920	245.5								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Schools	County Bridge Primary School		5	5	Q1	Final Report Issued	Substantial	Substantial	-	4	10	
	Pool Hayes Primary School		5	5	Q1	Final Report Issued	Substantial	Substantial	-	4	12	
	Whitehall Infants School		5	5	Q1	Final Report Issued	Substantial	Substantial	-	6	9	
	Elmwood School		5	5	Q1	Final Report Issued	Good	Substantial	-	1	3	
	Delves Infants School		5	5	Q1	Final Report Issued	Good	Substantial	-	2	4	
	St Joseph's Catholic Primary School		5	5	Q1	Final Report Issued	Substantial	Substantial	-	3	2	
	St Anne's Catholic Primary School		5	5	Q1	Final Report Issued	Substantial	Substantial	-	5	9	
	St Francis Catholic Primary School		5	5	Q1	Final Report Issued	Good	Substantial	-	1	-	
	St Peter's Catholic Primary School		5	5	Q2	Draft Report Issued	Substantial	Substantial	-	4	7	
	Rowley View Nursery		5	5	Q2	Final Report Issued	Substantial	Good	-	-	4	
	Whetstone Field Primary School		5	4	Q2	Fieldwork complete						
	Castlefort Primary School		5	4.5	Q2	Draft Report issued						
	Little Bloxwich CE Primary School		5	0.5	Q3	ToR Issued						
	St Francis of Assisi Catholic Technology College		5	4.5	Q2	Draft Report Issued						
	Abbey Primary School		5	0.5	Q3	ToR Issued						
	Short Heath Federation		15	0.5	Q3	ToR Issued						

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	Blue Coat Foundation		10	0.5	Q3	ToR Issued						
	St Bernadette's Catholic Primary School		5	0.5	Q3	ToR Issued						
	Brownhills West School		5	4	Q3	Fieldwork Completed						
	St Mary's of the Angels Catholic Primary School		5	4	Q3	Fieldwork Completed						
	Admin Time		5	4								
<b>Schools total</b>			<b>120</b>	<b>77.5</b>								

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## 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.

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 31/03/17

### Delves Infants and 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
Good	Substantial

We have raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. Our finding was:

- From examination of 10 orders / invoices it was found that in all cases the order and invoice had been signed by the same officer and in three cases an order had not been raised.
- A data sharing agreement with the provider of financial services has not been considered.

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### St Anne's Catholic 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 recommendations where we believe there is scope for improvement within the control environment. Our findings were:

- There was no evidence that the Governing Body had approved a 5 year lease for a photocopier.
- The handover of cash between officers is not documented and signed for.
- Only one designated member of staff is involved in income collection.
- A safe log is not currently in place.
- Portable assets have not been security marked.

### St Joseph's Catholic 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 recommendations where we believe there is scope for improvement within the control environment. Our findings were:

- There are no officers at the school with approval to authorise orders / invoices over £10,000
- From examination of 10 orders / invoices it was found that in two cases the order and invoice had been signed by the same officer.
- A data sharing agreement with the appointed provider of financial services has not been completed.

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## St Peter's Catholic 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 four priority 2 recommendations where we believe there is scope for improvement within the control environment. Our findings were:

- From examination of 10 orders / invoices it was found that in one case the order and invoice had been signed by the same officer.
- Cash collected is stored in the safe and it is not counted and checked until it is prepared for banking. A log detailing income going into and out of the safe is not held.
- Monitoring of the Linus Club finances is not currently being monitored.
- A data sharing agreement with the recently appointed provider of financial services has not been considered.

### Carbon Reduction Commitment Energy Efficiency Scheme (CRC)

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of the key controls relating to CRC

In summary, the scope covered the following areas: accuracy of reporting, audit trail, data cleansing and audit, evidence pack, internal information and awareness and testing a sample from the annual report prior to submission to confirm the validity of the report.

Evaluation Assessment	Testing Assessment
Substantial	Limited

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

- There were several instances of inaccuracies or omissions identified in the annual report provided to the Council by STC.
- A system reporting issue allows for double counting of gas emissions.
- Duplicate invoicing by British Gas during the financial year has led to significant problems in the accuracy and reliance sought from primary billed documentation. Further, STC have had to retain two versions of their energy portal due to continued re-billing of previous billed gas invoices which raised concerns over the accuracy of figures reported.
- An evidence pack, data cleansing and audit is all required under the energy bureau services contract, however had not been provided by the provider at the time of the audit.
- STC should be made aware of all establishments to be excluded or included within the annual report to ensure accuracy of the figures reported.
- For the 2016/17 audit report, the person with delegated authority over CRC activities should sign off the audit certificate and report.



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## **Appendix 3 – Summary of Unplanned/Irregularity Reports**

Brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given (if applicable) in respect of unplanned/irregularity reports issued since the last meeting of the Audit Committee will be provided in this section.

No unplanned/irregularity work has been carried out to date for 2016/17

An update on progress of 2015/16 unplanned/irregularity work has been included in a separate report.

## Appendix 4 - Follow-up of Recommendations 2015/16 and 2016/17

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

The tables below provide a summary of the status of all 2015/16 recommendations where the proposed implementation date was at or before 31<sup>st</sup> October 2016 and have not been reported as implemented at the previous Audit Committee meeting.

Title	Assurance Level	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet followed up
Capital Accounting	Significant	5	5						
Capital Programming	Significant	2	2						
Council Tax/NNDR	Significant	10	3				Dec 2016		7
Bank Account Reconciliations	Significant	11	7	3		1	Jan 2016	Dec 2016	
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						

Title	Assurance Level	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet followed up
Carbon Reduction Commitment Efficiency Scheme (CRC)	Significant	11	7			4 (Re-raised 2016/17)		Re-raised in 2016/17 report	
Bereavement & Registration (including Coroner)	Significant	14	12	2			Mar 2016	Mar 2017	
Green Spaces	Significant	9	8	1			Jan 2016	Awaiting manager response	
Customer engagement, consultation and complaint management	Borderline Significant	30	19	2	5		Mar 2016	Oct 2016	4
Community Capacity Grant	Significant	1	1						
Autism Innovation Capital Grant	Significant	1	1						
Adult Safeguarding	Borderline Significant	24	14				Sept 2016		10
Personal Budgets inc Direct Payments	Limited Progress	16	16						
Looked After Children Follow Up	Significant	5	5				Aug 2015		
Schools Property Maintenance Follow Up	Significant	3	3						
Accommodation Services Follow Up	Significant	5	3				Feb 2016	Mar 2017	2
Asset Management Follow Up	Limited Progress	6	6						
Stroud Avenue Family Centre	Significant	1	0				Jun 2016	Jan 2017	1

Title	Assurance Level	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet followed up
Follow Up									
Growth Deal	Significant	4	4						
Shared Lives	Borderline Significant	10	2		5		Jun 2016	Dec 2016	3
Corporate Risk 3b	Significant	3	3						
Software Licensing	Significant	7	5				Sep 2016		2
Payroll Follow Up	Significant	8	8						
Corporate Risk 3a	Significant	6	6						
Housing Benefit & Council Tax Reduction Follow Up	Significant	6	4				Dec 2016		2
Mental Health Follow Up	Limited Progress	16	13	1	2		Sep 2015	See Separate Report	
Better Care Fund	Significant	2	0				Sep 2016		2
Residential Charging	Limited Progress	30	4				Dec 2016		26
Accounts Payable Follow Up	Significant	12	12						
Cloud Computing	Borderline Significant	4	0				Jun 2017		4

Title	Assurance Level	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet followed up
Solihull Framework	Limited Progress	13	3				Oct 2016		10
Social Media	Limited	11	0				Mar 2017		11
Accounts Receivable Follow Up	Significant Progress	10	3				Mar 2017		7
Corporate Risk 9	Significant	5	5						
ICT Risk Management	Limited	6	0				Dec 2016		6
Christchurch Primary School	Limited	36	35				Sep 2016	Nov 2016	1
Jane Lane School	Limited	31	23				Oct 2016		8
Blakenall Heath Junior	Significant	13	10				Sep 2016	Oct 2016	3
Leamore Primary School	Significant	12	12						
Phoenix School	Significant	19	19						
St Thomas of Canterbury Catholic Primary School	Borderline Significant	22	11				Sep 2016	Nov 2016	11
Sunshine Infants & Nursery School	Significant	7	7						
Greenfield Primary School Follow Up	Significant Progress	1	1						
		454	308	9	12	5			120

The tables below provide a summary of the status of all 2016/17 recommendations where the proposed implementation date was at or before 31<sup>st</sup> October 2016 and have not been reported as implemented at the previous Audit Committee meeting.

Title	Assurance Level	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due
County Bridge Primary School	Substantial/ Substantial	14	2		8		Dec 2016		4
Delves Infant & Nursery School	Good / Substantial	6	4				Mar 2017		2
Elmwood School	Good / Substantial	4	1				May 2017		3
Pool Hayes Primary School	Substantial/ Substantial	16	12				Nov 2016		4
Rowley View Nursery	Substantial / Good	4	4						
St Annes Catholic Primary School	Substantial/ Substantial	14	4				Apr 2017		10
St Francis Catholic Primary School	Good / Substantial	1	1						
St Joseph's Catholic Primary School	Substantial/ Substantial	4	3				Oct 2016		1
Whitehall Nursery & Infant School	Substantial/ Substantial	15	13				Dec 2016		2
		78	44		8				26

## Outstanding and Partly Implemented High Priority Recommendations

Audit	Recommendations	Management Response	Status	Responsibility and Due Date	Update Position
Bank Account Reconciliation	Bank Account Controls and Training	The review of all Council bank accounts and delivery of account training will be prioritised to allow a review schedule to be formulated and implemented.	Partly Implemented	Accountancy Officer / Treasury Management Officer Dec 2016	All school accounts reviewed but some other accounts still to be reviewed
Bereavement and Registration Services	Procurement and Invoices	Orders are now raised prior to the procurement of goods / services / works. Invoices are now paid in accordance with relevant payment targets.	Not Implemented	Bereavement & Registration Services Manager Sept 2016	From a sample of 5 invoices it was identified that in 3 cases the order had been raised after the invoice date
	Joint Working Arrangements	Joint working arrangements with the Walsall Healthcare NHS Trust and the Register Office will be documented detailing the responsibilities of each party.	Not Implemented	Superintendent Registrar Mar 2017	Some progress has been made, but work is ongoing
Customer Engagement, Consultation and Complaint Management	Consultation Plans in Place	The Key Decisions document will be fully completed in terms of whether there is a consultation plan in place. Where there is no consultation plan in place, the reasons for this will be clearly stated in the pre-consultation column.	Not Implemented	Manager of Corporate Performance Management Oct 2016	Work in Progress
	Monitoring of Consultation Activity	The enhanced 'Key Decisions' document will be used to capture and share key learning arising from consultation exercises.	Not Implemented	Manager of Corporate Performance Management Oct 2016	Work in Progress
Looked After Children (Follow Up)	Monitoring Visits	Children will be seen by the social worker every 6 weeks and the visit will be recorded on the Paris system within 3 days.	Implemented	Group Manager Aug 2015	From a sample of 3 service users, visits were confirmed as taking place within the required timescale as documented on Mosaic, and the visit was recorded within 3 days.

Audit	Recommendations	Management Response	Status	Responsibility and Due Date	Update Position
Shared Lives	Carers Record Management	<p>In undertaking the recruitment of carers it is now ensured that:</p> <ul style="list-style-type: none"> <li>·A file checklist is complete.</li> <li>·A pre-assessment meeting record is completed.</li> <li>·A medical report is obtained.</li> <li>·The assessment form is signed by all relevant parties.</li> </ul> <p>All carers are included within the carers training spreadsheet.</p>	Not Implemented	<p>Lead Reablement Officer</p> <p>Dec 2016</p>	<p>There have been no new carers since the audit was undertaken it was therefore not possible to undertake testing</p> <p>A review of carer files is currently being undertaken to ensure all relevant documentation is on file</p>
	Referrals and Placements	<p>It will be ensured that the following documents are completed and held on Mosaic:</p> <ul style="list-style-type: none"> <li>·referral to broker form</li> <li>·support plan</li> <li>·RAP checklist and the validation request case note detailing the funding approval</li> </ul> <p>It will be ensured that the following documents are completed and held on Mosaic / the service user file:</p> <ul style="list-style-type: none"> <li>·fully completed and signed service user plan</li> <li>·risk assessment</li> <li>·fully completed and signed placement agreement</li> <li>·license agreement</li> <li>·6 week review.</li> </ul>	Not Implemented	<p>Group Manager - Learning Disability</p> <p>Dec 2016</p>	
	Payments to Carers	<p>It will be ensured that:</p> <p>Evidence that the funding has been approved is held on Mosaic.</p> <p>Support plans are held on Mosaic.</p> <p>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.</p>	Not Implemented	<p>Group Manager - Learning Disability</p> <p>Dec 2016</p>	Work in progress



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## 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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