



## **WALSALL COUNCIL**

## **INTERNAL AUDIT PROGRESS REPORT**

## **Audit Committee – June 2016**

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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> May 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 Draft reports for which we are awaiting the final management responses before issuing the Final Report:

- County Bridge Primary School
- Pool Hayes Primary School
- Whitehall Infants School

## Changes to the Plan

The Human Resources audit has been rescheduled for Quarter 4 following discussions with the Head of HR, and the CRC Energy Efficiency Scheme audit sign off has been added to the plan for Quarter 2.

## Other Work:

### ICT Risk Management Workshop

We will be providing a session on risk management on June 15<sup>th</sup> to assist the ICT team strengthen their risk register following the Limited assurance report received in 2015/16.

### Local Transport Plan Major Projects

We provided an assurance report on the annual grant expenditure claimed in respect of local transport plan major projects in 2014/15 for the year ended 31<sup>st</sup> March 2015. This was submitted to the Department for Transport by the deadline of 31<sup>st</sup> May 2016.

## Follow-up of Recommendations

### 2015/16

The table below highlights the number of recommendations raised in the audit reports for 2015/16. 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	465	82	18%	82	18%

Appendix 3 provides a summary of the status of all 2015/16 recommendations where the proposed implementation date was at or before 31<sup>st</sup> May 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.
<b>System Improvement Opportunity</b>	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

## Priority 1 Recommendations

No final reports have been 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	
<b>Core Financial Systems</b>	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		Q3								
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								
<b>Core Financial Systems Total</b>		<b>125</b>										
<b>Operational Risks</b>	<b>Change and Governance</b>											
	Homelessness	Covering adequacy and effectiveness of controls over homelessness, including the approach to developing the Homelessness Prevention Strategy	15		Q2							
	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	
<b>Economy and Environment</b>											
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	0.5	Q2	Scoping meeting held						
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	0.5	Q1	Scoping meeting held						
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	0.5	Q2	Scoping meeting held						
CRC Energy Efficiency Scheme	Annual audit and sign off	10	0.5	Q2	Scoping meeting held						
<b>Children's Services</b>											
Troubled Families	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	10	0.5	Q2 & Q4	Scoping meeting held						
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		Q3							

Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
						Evaluation	Testing	1	2	3	
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		Q2							
<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	8	Q1	WIP						
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		Q3							
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		Q2							
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>205</b>	<b>11</b>								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
<b>Strategic Risks</b>	Procurement	Covering adequacy and effectiveness of the Council's corporate approach to procurement, including impact of new EU Procurement Directives.	30		Q2-Q4							
	Contract Management	Covering adequacy and effectiveness of the Council's corporate approach to contract management.	30		Q2-Q4							
	Facilities Management	Covering the controls in place over accommodation arrangements, security, cleaning and insurance.	15	0.5	Q2	Scoping meeting held						
	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						
	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>130</b>	<b>1</b>								
<b>Governance, Fraud &amp; other Assurance Methods</b>	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	1	Q1-Q4							Attendance at Midlands Fraud Group

Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
						Evaluation	Testing	1	2	3	
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	2	Q1-Q4							ICT Risk Management session
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		Q3-Q4							
<b>Governance, Fraud &amp; other Assurance Methods</b>		<b>115</b>	<b>3</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	1	Q2-Q4							
<b>ICT total</b>			<b>40</b>	<b>1</b>								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	30	8	Q1-Q4							
	Management and Planning	Including attendance at Audit Committee	85	14	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								
<b>Other total</b>			<b>190</b>	<b>32</b>								
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	15								
<b>Schools Total</b>			<b>120</b>	<b>15</b>								
<b>TOTAL</b>			<b>920</b>	<b>63</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 will be provided in this section.

No final reports have been issued to date.

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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.

## Appendix 4 - Follow-up of Recommendations 2015/16

A follow-up audit has been undertaken in accordance with the 2015/16 audit plan. The objective was to confirm the extent to which the recommendations made in 2015/16 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> May 2016 and have not been reported as implemented at the previous Audit Committee meeting.

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	No Response	Not yet due
Capital Accounting	5	5							
Capital Programming	2	2							
Council Tax/NNDR	12	0				Dec 2016			12
Bank Account Reconciliations	11	7				Jun 2016			4
Cash and Bank	3	3							
Nominal Ledger	1	1							
Treasury Management	2	0				Jun 2016			2
Troubled Families Grant January 2016 Claim	1	1							
Carbon Reduction Commitment Efficiency Scheme (CRC)	11	0				Jul 2016			11
Bereavement & Registration (including Coroner)	14	6				Jun 2016			8
Green Spaces	10	1				Jun 2016			9
Customer engagement, consultation and complaint management	30	0				Jun 2016			30
Community Capacity Grant	1	0				Jun 2016			1



Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	No Response	Not yet due
Autism Innovation Capital Grant	1	1							
Adult Safeguarding	24	3				Jun 2016			21
Personal Budgets inc Direct Payments	35	0				Jun 2016			35
Looked After Children Follow Up	5	0				Jun 2016			5
Schools Property Maintenance Follow Up	3	0				Jun 2016			3
Accommodation Services Follow Up	5	0				Jun 2016			5
Asset Management Follow Up	6	0				Jun 2016			6
Commissioning Follow Up	12	0				Jun 2016			12
Stroud Avenue Family Centre Follow Up	1	0				Jun 2016			1
Growth Deal	4	2				Jun 2016			2
Shared Lives	10	0				Nov 2016			10
Corporate Risk 3b	3	0				Jun 2016			3
Software Licensing	7	3				Sep 2016			4
Payroll Follow Up	8	4				Sep 2016			4
Corporate Risk 3a	6	6							0
Housing Benefit & Council Tax Reduction Follow Up	6	1				Dec 2016			5
Mental Health Follow Up	18	0				Jun 2016			18
Better Care Fund	2	0				Sep 2016			2
Residential Charging	30	0				Dec 2016			30

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	No Response	Not yet due
Accounts Payable Follow Up	12	0				Sep 2016			12
Accounts Receivable Follow Up	10	0				Mar 2017			10
Corporate Risk 9	5	5							0
Christchurch Primary School	40	31				Jul 2016			9
Jane Lane School	31	0				Jul 2016			31
Blakenall Heath Junior	13	0				Jun 2016			13
Leamore Primary School	15	0				Jun 2016			15
Phoenix School	20	0				Jun 2016			20
St Thomas of Canterbury Catholic Primary School	22	0				Jun 2016			22
Sunshine Infants & Nursery School	7	0				Jun 2016			7
Greenfield Primary School Follow Up	1	0				Jun 2016			1
	465	82							383

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## Appendix 5 - Statement of Responsibility

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

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars LLP**

### **London**

### **June 2016**

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