Audit Committee – 24 April 2017

Internal Audit Progress Report 2016/17

Summary of the 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.

Recommendations

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

James T. Walsh – Chief Finance Officer

6 April 2017

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. 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 2016/17.

The attached report highlights progress against the audit plan as at 31 March 2017. Audit coverage is in line with the plan. Work 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.

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 – 24th April 2017

CONTENTS

Introduction

This progress report to the Audit Committee covers the work carried out since the last audit committee 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

Progress against the 2016/17 Internal Audit Plan is shown in Appendix 1.

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

- Town and District Centre Markets (Evaluation assurance: **Limited**. Testing assurance: **Limited**)

- Short Heath Federation (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)

- St Francis of Assisi School (Evaluation assurance: **Good**. Testing assurance: **Substantial**)

- Homelessness (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)

- Cyber Security (Evaluation assurance: **Limited**. Testing assurance: **Limited**)

- Adoption & Fostering (Evaluation assurance: **Good**. Testing assurance: **Substantial**)

- Accounts Payable (Evaluation assurance: **Good**. Testing assurance: **Good**)

- Main Accounting ((Evaluation assurance: **Good**. Testing assurance: **Good**)

- Appointeeships & Deputyships (Evaluation assurance: **Limited**. Testing assurance: **Limited**)

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

- Active Living Centres

- Accounts Receivable

- Housing Benefit and Council Tax Support

- Payroll and Pensions Administration

- Treasury Management

- Council Tax / NNDR

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 and no longer relevant	%	Implemented, no longer relevant or partly implemented	%
2015/16	452	412	91%	429	95%
2016/17	302	197	65%	197	65%

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 31st March 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	Evaluation Assessment	Testing Assessment
Good	G	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial	S	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	L	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	N	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

We have raised two Priority 1 recommendation in the final reports issued since the last Audit Committee meeting.

This Priority 1 recommendation was raised in the Town and District Centres Markets report, and was as follows:

Recommendation: The Right to Work in the UK should be verified with the trader and appropriately evidenced and recorded during the registration process. The Market Policy should be updated to include this procedure.

Management Response: Identification provided during the audit did evidence that 2 Traders had the Right to Work, however, right to work in the UK will be checked for all renewals and new applications.

The Market Policy is also going to be redrafted to include a section on Rights to Work following consultation with Legal Services.

This Priority 1 recommendation was raised in the Appointeeship & Deputyships report, and was as follows:

Recommendation: 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.

All applications for deputyships should be processed promptly to ensure the ongoing safeguarding of these vulnerable service users.

Management Response: In order for the decision making process 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.

Financial Admin will ensure that Deputyship will be considered as an alternative to appointeeship in relevant cases.

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	10	Q4	Final Report Issued	Good	Good	-	-	1	
	Treasury Management, Cash & Bank	Covering adequacy and effectiveness of controls over investments, loans, management information, etc. CRSA to be applied.	10	9	Q4	Draft Report Issued						
	Accounts Receivable	Covering adequacy and effectiveness of controls over the Accounts Receivable system. CRSA to be applied.	10	9	Q3	Draft Report Issued						
	Accounts Payable	Covering adequacy and effectiveness of controls over the payment of creditor invoices. CRSA to be applied.	10	10	Q3	Final Report Issued	Good	Good	-	-	2	
	Budgetary Control	To cover strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	10	9	Q4	Fieldwork Complete						
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	15	13	Q4	Draft Report Issued						

	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	13	Q4	Draft Report Issued						
	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	19	Q3	Draft Report Issued						
	Payroll and Pensions Administration	Covering adequacy and effectiveness of controls over starters, leavers, amendments, etc.	15	14	Q3	Draft Report 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	4	Q4	Work in Progress						
Core Financial Systems Total			**125**	**110**								
	Change and Governance											
Operational Risks	Homelessness	Covering adequacy and effectiveness of controls over homelessness, including the approach to developing the Homelessness Prevention Strategy	15	15	Q2	Final Report Issued	**Substantial**	**Substantial**	-	3	2	
	Human Resources	Covering adequacy and effectiveness of key controls over recruitment, workforce planning, sickness absence and training	15	12	Q4	Fieldwork Complete						

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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.										Removed due to audit by ICO. Days used for fraud investigation
Active Living Centres	Covering adequacy and effectiveness of key controls over project management arrangements.	10	9	Q2	Draft report issued						
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	10	Q1	Final Report Issued	Good	Substantial	-	1	-	
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	10	Q2	Final Report Issued	Limited	Limited	1	9	3	
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.	5	5	Q2	Final Report Issued	Substantial	Good	-	-	-	Sample testing to confirm September 2016 grant claim

Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
						Evaluation	Testing	1	2	3	
Troubled Families	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	5	5	Q4	Final Report Issued	Limited	Substantial	1	3	1	Sample testing to confirm January 2017 grant claim
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	10	Q3	Final Report Issued	Good	Substantial	-	2	2	
Residential Care	Covering controls in place regarding the quality and safety of children's residential care.	15	12	Q4	Fieldwork Complete						
Schools Improvement Service	To cover the effectiveness of the arrangements in place to support school improvement and to facilitate co-operation between schools.	10	8	Q4	Fieldwork Complete						
Multi-Agency Working (MASH)	Covering Children's Services										Removed due to peer review. Days used for fraud investigation
Pheasey Park Farm Children's Centre	Covering governance and financial controls in place at the Children's Centre	5	5	Q2	Final Report Issued	Substantial	Limited	-	12	3	
Adult Social Care											
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	10	Q1	Final Report Issued	Limited	Limited	1	13	4	

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	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	10	Q4	Work in Progress						
	Community Alarms and Telecare Service	Covering controls over the service provided to vulnerable clients.	10	8	Q4	Fieldwork Complete						
	Community Capacity Grant	Annual audit and sign off	5	5	Q2	Completed	N/A					
	End to End Operating Model	Carried forward from 2015/16	10		Q4							Will be covered in 2017/18 as part of the Transformation Programme
	Resource Allocation and Support Planning	Carried forward from 2015/16	10	7	Q4	Work in Progress						
Operational Risks Total			**185**	**156**								
Strategic Risks	Procurement	Covering adequacy and effectiveness of the Council's corporate approach to procurement, including impact of new EU Procurement Directives.	25	10	Q2-Q4	Work in Progress						
	Contract Management	Covering adequacy and effectiveness of the Council's corporate approach to contract management.	25	10	Q2-Q4	Work in Progress						
	Facilities Management	Covering the controls in place over accommodation arrangements, security, cleaning and insurance.	15	15	Q2	Final report issued	Limited	Limited	-	13	2	

Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
						Evaluation	Testing	1	2	3	
Partnership Arrangements and Shared Services	Review the arrangements in place for joint strategic needs assessments and the changes in commissioning services.	1	1	Q3	Scoping meeting held						Request made by Head of Business Change to defe to 2017/18 due to service restructure.
Performance Management	Covering adequacy and effectiveness of the Council's strategic approach to performance management (including management information, target setting, reporting, roles and responsibilities)	2	2	Q4							Audit included in 2017/18 plan
Strategic Risks Total		**68**	**38**								
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	20	Q1-Q4							Attendance at Midlands Fraud Group and CIPFA Fraud presentation, NFI work, policies review
Investigation 1 (Children's Services)		30	15								
Investigation 2 (Children's Services)		30	15								
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	25	Q1-Q4							ICT and CRR Risk Management session, CRR updates

Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
						Evaluation	Testing	1	2	3	
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 or Accounts Payable	20		Q2-Q4							To be completed in 2017/18
Benefit/Savings Realisation	To provide assurance that processes are in place to measure such initiatives.	20	15	Q3	Fieldwork Complete						Completed within Budgetary Control audit
CRSA	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. To be used on core financials and used to scope the audit.	15	12	Q3-Q4							
Governance, Fraud & other Assurance Methods		**175**	**102**								
Cyber Security	Information Risk Mgmt, Network Security, Secure Configuration, User Education and Awareness, Malware Prevention, Removable Media Controls, Managing User Privileges including 3rd party access, Incident Management, Monitoring and monitoring tools used and Home and Mobile Working.	15	15	Q3	Final report issued	**Limited**	**Limited**	-	6	2	
IT Disaster Recovery	A Follow up of the recommendations raised in the 2014/15 report	5	4	Q4	Fieldwork Completed						
Payroll	A review of the iTrent System	10	1	Q4	Scope issued						
IT Strategy	Covering the consultation, approval and review of the IT Strategy	10	5	Q4	Work in Progress						
ICT total		**40**	**25**								

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	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	30	27	Q1-Q4							
	Management and Planning	Including attendance at Audit Committee	85	78	Q1-Q4							
Other total			**115**	**105**								
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	126	125								
Schools Total			**126**	**125**								
Plan Total			**834**	**661**								
Ad Hoc/Contingency		Contingency allocation to be utilised upon agreement of the Chief Finance Officer. -Completion of 15/16 audit work -Darlaston Town Hall	70	10 2								
		Unused Partnerships time	16									
TOTAL			**920**	**673**								

	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	Final Report Issued	Substantial	Substantial	-	4	7	
	Rowley View Nursery		5	5	Q2	Final Report Issued	Substantial	Good	-	-	4	
	Whetstone Field Primary School		5	5	Q2	Final Report Issued	Substantial	Substantial	-	5	10	
	Castlefort Primary School		5	5	Q2	Final Report issued	Substantial	Substantial	-	1	7	
	Little Bloxwich CE Primary School		5	5	Q3	Final Report issued	Substantial	Limited	-	8	8	
	St Francis of Assisi Catholic Technology College		5	5	Q2	Final Report issued	Good	Substantial	-	3	7	
	Abbey Primary School		5	5	Q3	Final Report Issued	Limited	Substantial	-	7	9	
	Short Heath Federation		15	15	Q3	Final Report issued	Substantial	Substantial	-	5	12	

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	Blue Coat Federation		10	10	Q3	Final Report Issued	**Substantial**	**Substantial**	-	4	6	
	St Bernadette's Catholic Primary School		5	5	Q3	Final Report issued	**Substantial**	**Substantial**	-	5	14	
	Brownhills West School		5	5	Q3	Final Report Issued	**Substantial**	**Substantial**	-	3	8	
	St Mary's of the Angels Catholic Primary School		5	5	Q3	Final Report issued	**Substantial**	**Substantial**	-	4	6	
	Salisbury Primary School – controls testing		6	5	Q4	Fieldwork complete						
	Admin Time		5	5								
Schools total			**126**	**125**								

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

Short Heath Federation

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:

- It does not make it clear in the Head Teacher's financial delegations that all expenditure in excess of £25,000 should be approved by governors.
- Three Governors had not yet provided evidence of their holding an Enhanced DBS certificate.
- It was not possible to test income collection and banking due to income records are not held by the Federation. Safe logs, detailing income received are only kept for one month therefore they only show a snapshot of what is held in the safe and not all historic movements of funds transferred in and out. Safe logs do not detail who has counted and signed in / out funds to / from the safe.
- Cash is stored in a tin in a locked cupboard during the week. The insurance limit of £250 does not cover the amount collected each week.
- Monthly bank reconciliations are not undertaken.

St Francis of Assisi 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 three priority 2 recommendations where we believe there is scope for improvement within the control environment. Our findings were:

- From examination of two new lettings during 2016/17 it was found that in one case the Site Manager had not included the booking on the lettings spreadsheet and therefore an invoice had not been raised.
- From examination of a sample of five payments it was found that in two cases the amount exceeded £350, it states within the Financial Procedures Manual that purchases must not exceed this amount.
- Payroll reports are checked by the Business & Administration Manager to ensure that only genuine employees are included but this is not checked by a second officer.

Town and District Centres Markets

Walsall Council owns and operates three outdoor markets in Walsall, Bloxwich and Willenhall which have been in existence for hundreds of years and are each an integral part of heritage and culture. These markets provide a wide range of commodities and a diverse range of quality but affordable fresh produce adding value to the existing shopping experience for residents and visitors to the area.

Our audit considered the following areas of activity:

- Traders
- Stalls
- Cash Collection
- Debt Management
- Management Information

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	Limited

We have raised one priority 1 recommendation and nine priority 2 recommendations where we believe there is scope for improvement within the control environment. Our findings were:

- There is no evidence that the Right to Work is confirmed or checked for traders who work within Walsall markets.
- Review of ten regular traders and five causal traders identified that in a large number of cases sufficient registration documentation had not been retained, this included expired public liability insurance, evidence of identification, address, and food hygiene certification. In one case no registration documentation had been requested.
- The trading monitoring spreadsheet holds data in excess of what is required for the service to operate to ensure compliance with the Data Protection Act.
- There has been some publication in trade magazine leaflets, but again this is infrequent and there is no strategy or schedule for promotions to run.
- No tenancy agreements have been signed for traders using storage at Bloxwich.
- The cash collected is counted by the Market Officer alone and recorded on a Barclays paying in banking slip.

- The fields which include the trader name, stall number and fee due are not protected and therefore could be manipulated. Following testing of six weeks of banking records two variances (£35 on the 14.09.16 and £2 on the 17.06.16) between the total amounts collected and the banking control sheets were identified.
- There is no independent senior check undertaken of cash income and banking reconciliations undertaken by the Market Support Officer.
- A Strategic Development Plan for Walsall Markets has not been completed.
- Performance monitoring requirements have not been collated into an annual report as stipulated in the Market Policy.

Homelessness

Our audit considered the following areas of activity:

- Policies, Procedures & Legislation
- Homelessness Prevention Strategy
- Entitlement to Service Provision
- Temporary Accommodation
- Income Management
- Analysis of Demand

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 two priority 3 recommendations where we believe there is scope for improvement within the control environment. Our main findings were:

- The Housing Strategy 2012-16 is out of date and is in the process of being reviewed.
- A temporary licence agreement had not been completed in one case for a placement in temporary accommodation.
- In one case a completed benefit application had not been submitted for two months.

Cyber Security

Our audit considered the following areas of activity:

- Information Risk Management Regime;
- Network Security;
- Secure Configuration;
- User Education and Awareness;
- Malware Prevention;
- Removable Media Controls;
- Managing User Privileges including third party access;
- Incident Management;
- Monitoring and monitoring tools used; and
- Home and Mobile Working.

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	Limited

We have raised six priority 2 and two 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:

- There is further work to address the PSN remediation plans, which may impact on this year's accreditation.
- Information Governance, including potential future elements such as Cyber Essentials requires integration with PSN accreditation processes and clearer establishment of ownership of processes.
- Some of the monitoring tools used within IT for firewalls, network monitoring and antivirus were found to be out of date.
- There is room for improvement in antivirus coverage, usage and training.
- Whilst removable media policies exist, there is no enforcement solution in place.
- There is no documented IT access control policy or monitoring policy in place.

Adoption & Fostering

Our audit considered the following areas of activity:

- Policies, Procedures and Legislation
- Assessment and Vetting
- Placements
- Placement Agreements
- Allowances and Payments
- Foster Care Agencies
- Data Security
- Management Information

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 and two 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 are:

- Despite controls around payments to agencies, a payment was made prior to the receipt of a signed 'Independent Placement Agreement' (IPA) document.
- Incorrect adjustments had been calculated for internal carer payments.
- Certain documents for carers and children had been incorrectly completed.
- A number of adoption agreements had not been uploaded to Mosaic.

Accounts Payable

Our audit considered the following areas of activity:

- Policies, Procedures and Legislation
- Creditor Transactions and Records
- Standing Data Amendments
- Purchase Order Processing
- Goods Receipting
- Invoice Processing
- Payments
- Payments Processing
- Procurement Cards
- Management Reporting

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 two priority 3 recommendation 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:
- Periodic review of Policies and Procedures were not completed
- Payments were not always being made in a timely manner

Main Accounting

Our audit considered the following areas of activity:

- Regulatory, Organisational and Management Requirements
- Accounting Records, Including Access Control
- Accounting Transactions and Manual Adjustments
- Year-end Procedures
- Financial and Performance Management Reporting
- Reconciliations
- Systems Security

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 3 recommendation where we believe there is scope for improvement within the control environment.
- There is no audit trail on the Oracle General Ledger system to show the officer who has approved the posted journal or the date it had been approved; this is a system capability problem as the details can only be stored on Oracle for two weeks from the date the journal has been posted.

Appointeeships & Deputyships

Our audit considered the following areas of activity:

- Policies, Procedures and Legislation
- Application Management
- Fees & Charges
- Management of Client Monies
- Reconciliations
- Ending of Deputyship/Appointeeship
- Follow up of 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	Limited

We have raised one priority 1, 14 priority 2 and four priority 3 recommendations where we believe there is scope for improvement within the control environment. Our main findings were:

- Lack of procedures/process maps for the administration and management of appointeeships & deputyships.
- Lack of consistency in the processing and management of new applications.
- Failure to comprehensively manage client monies.
- Reconciliation processes are not robust and financial discrepancies are not identified and rectified promptly.
- Ending of deputyships/appointeeships are not always carried out promptly and accounts are not closed promptly.

Appendix 3 – Summary of Unplanned/Irregularity Reports

The Head of Finance requested that a review of the Community Asset Transfer of Darlaston Town Hall be undertaken.

Our work concluded that a transparent and fair process has been followed for the Community Asset Transfer of Darlaston Town Hall to ensure that there has been no favouritism towards any of the applicants.

A verbal update on progress of 2015/16 unplanned/irregularity work which is still ongoing will be given at the meeting.

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.

Outstanding and Partly Implemented High Priority Recommendations from 2015/16

Audit/Report Date	Assurance	Recommendations	Management Response	Status	Responsibility and Due Date	Update Position
Jane Lane School\n\nApril 2016	Limited	Inventory Security Marking	All portable assets will be security marked to deter theft and to help identify equipment if stolen and found.An annual check of the inventory will be undertaken and evidenced by the signature(s) of the members of staff involved and the date completed.		Headteacher\n\nOctober 2016	Electronic system purchased and all equipment being entered and security marked - revised implementation date 31/3/17
Residential Charging\n\nMay 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\n30th Sept 2016\n\nRevised November 2017	**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 November 2017

Audit/Report Date	Assurance	Recommendations	Management Response	Status	Responsibility and Due Date	Update Position
			Contracts will be awarded following cabinet approval regarding fee rates.		Lead Commissioning Officer 1st July 2016 Revised 31/10/16 Rerevised June 2017	**Not implemented -** Advised that transitional contrcts in place, but nothing awarded as waiting on procurement and legal. Should the process need to restart, revised deadline June 2017
Customer Engagement, Consultation and Complaint Management December 2015	Borderline Significant	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.		Manager of Corporate Performance Management Oct 2016 Revised April 2017	**Not Implemented –** With such limited resources in the team and having to prioritise service delivery there has been slippage but completing actions have been built into the work programme now as it is traditionally a quieter time for consultation.
		Monitoring of Consultation Activity	The enhanced 'Key Decisions' document will be used to capture and share key learning arising from consultation exercises.		Manager of Corporate Performance Management Oct 2016 Revised April 2017	**Not Implemented –** With such limited resources in the team and having to prioritise service delivery there has been slippage but completing actions have been built into the work programme now as it is traditionally a quieter time for consultation.

Audit/Report Date	Assurance	Recommendations	Management Response	Status	Responsibility and Due Date	Update Position
Shared Lives May 2016	Borderline Significant	Referrals and Placements	It will be ensured that the following documents are completed and held on Mosaic: ·referral to broker form · support plan · RAP checklist and the validation request case note detailing the funding approval It will be ensured that the following documents are completed and held on Mosaic / the service user file: · fully completed and signed service user plan · risk assessment · fully completed and signed placement agreement · license agreement 6 week review.		Group Manager - Learning Disability Dec 2016 Revised April 2017	**Work in Progress** - Forms are not accessable via MOSAIC, however we continue to liaise with the MOSAIC team, who are priortising Shared Lives. Revised Implementation Date April 2017
		Payments to Carers	It will be ensured that: 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 July 2017	**Work in Progress** - The Scheme to continue to liaise with the social workers to ensure that Support plans are complete . Bench marking 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 intregated team commissioner. Revised date July 2017

Audit/Report Date	Assurance	Recommendations	Management Response	Status	Responsibility and Due Date	Update Position
Adult Safeguarding November 2015	Borderline Significant	Safeguarding Alerts	Historical safeguarding alerts will be promptly reviewed to identify the outcome of the case, the manager's decision will be clearly recorded and cases will be closed where appropriate.		Service Manager – Reablement Sept 2016 Revised 31st March 2017	**Work In Progress** - Work has continued to resolve this issue with a number of historic safeguarding alerts being reviewed and closed. There still however remains a number of outstanding cases which continue to be progressed. Suggested revised target date 31/03/17
Bank Account Reconciliations November 2015	Significant	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.		Accountancy Officer / Treasury Management Officer Dec 2016 Revised April 2017	**Not implemented** Revised Implementation April 2017
Bereavement and Registration Services September 2015	Significant	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.		Superintendent Registrar Mar 2017	**Work in Progress**

Audit/Report Date	Assurance	Recommendations	Management Response	Status	Responsibility and Due Date	Update Position
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	Considerable work is being undertaken with Solihull, including retendering of the asbestos and scaffolding elements of the contract, review of material costs. Additionally fees are under review in terms of preliminaries and design. Until the outcome of the retendering, material costs and fees are known the review cannot be completed It is therefore requested that the deadline be extended until 31st March 2017.
		Performance Management	Secret customers have been used to checked the use of the scripts, this has identified some members of the helpdesk staff are not using scripts. Solihull have been informed and they are investigating and if required retraining their staff to suit the council's requirements.		Head of Facilities Management	Completed including revised scripts and priorities. A system of random and regular checking that the scripts are being used by the helpdesk staff will be undertaken to ensure all relevant information is obtained. This will be implemented from Jan 2017.

Audit/Report Date	Assurance	Recommendations	Management Response	Status	Responsibility and Due Date	Update Position
		Capital Programme / Maintenance Plans	Following a meeting, a new staff member from Solihull has taken ownership of the service and compliance. A new Walsall compliance officer is working with Solihull to ensure full compliance and certification for Walsall properties. Monthly meetings are taking place as of May 2016 to monitor progress.		Head of Facilities Management	Access to the contractors systems now means certificates can be checked on line and verified. The system requires improvement. A master schedule from the contractor detailing all properties, service provided and due dates is required. From that the monthly updates can be reconciled to the master to ensure nothing is missed. The current practice of relying on KPI's is inadequate. Formal notification of concerns about compliance against KPIs will commence as and when required from January 2017
Social Media	Limited	Policy and Standards	A Social Media Policy will be created for Walsall Council, covering all staff (including third-parties and contractors), detailing how the Council will manage a corporate presence across social media channels. Specifically, the policy will provide an appropriate level of awareness, knowledge and skill to minimise the aforementioned risks and include the following: 1. The objectives for using social media for Walsall Council purposes. 2. Potential risks and problems. 3. Management of social media channels. 4. Usage by council departments. 5. Evaluation and metrics.		Corporate Assurance Manager / Media & Comms Officer	**Work in Progress** A Social Media Protocol Guidance document has been drafted and the Council's Email and Internet Usage procedure will be reviewed to include information relating to use of social media and linking to the new policy. Revised implementation date 30 April 2017

Audit/Report Date	Assurance	Recommendations	Management Response	Status	Responsibility and Due Date	Update Position
		Risk Management	Section 1.3.1 of Walsall Council's Information Risk and Security Policy states 'A risk assessment will be carried out for each of the Council's Information Assets in all formats and mediums and measures put in place to ensure each Asset / system is secured to an appropriate level.' This will extend to the creation of all new and existing social media channels. Projects within Walsall Council will be subject to a risk assessment on a case-by-case basis to advise on which channels are the most appropriate, and the information that should flow from these. These risk assessments will be reviewed by the appropriate parties before commencement of a social media project, and aligned to the Council's risk management profile. Specific control related activities will be identified for each social media project. This connects to the ICT strategy and establishment of an ICT governance board and also the refresh of information governance procedures.		Corporate Assurance Manager	**Implemented** A new risk assessment tool is being developed for IAOs to be launched Aug 2016 Risk Assessment will also be referred to in the Social Media Protocol Guidance Document. Risk assessment tool is available on Inside Walsall

Audit/Report Date	Assurance	Recommendations	Management Response	Status	Responsibility and Due Date	Update Position
		Risk Management	A framework for classifying Walsall Council information will be developed, based on the sensitivity, value and criticality to the Council as required by the Information Risk and Security Policy. Information flowing through social media channels will be subject to this classification, and appropriate controls implemented to stop the publication of restricted information. To be addressed via training and awareness across the organisation following implementation of procedure identified in 3.1.		Corporate Assurance Manager / Media & Comms Officer	**Implemented** A revised classification / protective marking scheme has been drafted by IG services to be approved and launched Aug 2016. Protective Marking Procedure has been approved and is available on Inside Walsall. The document relates to processing of all information regardless of medium.
		Access Management of Social Media	The implementation of appropriate systems (e.g. white-/blacklisting) to block inappropriate social media related channels and applications (e.g. gaming/gambling applications) will be introduced. This list will be regularly reviewed and updated. There is a need to develop understanding of likelihood by working with colleagues in IT and information governance and address within training outlined above.		Corporate Assurance Manager / Media & Comms Officer	**Implemented** The Council has a blacklist which is compiled from various sources and updated regularly. There is also a whitelist that allows authorised users to be given access to normally blacklisted sites if required for business purposes.

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				
Mental Health Follow Up May 2015	Limited Progress	16	16										
Solihull Framework June 2016	Limited	11	8				2				Oct 2016	Mar 2017	1
Jane Lane School April 2016	Limited	31	29				1			1	Oct 2016	Mar 2017	
ICT Risk Management June 2016	Limited	6	3				1	2			Dec 2016	Jun 2017	
Residential Charging May 2016	Limited	30	21	1			1			7	July 2016	Nov 2017	
Social Media June 2016	Limited	11	7								Mar 2017	Jun 2017	4
Adult Safeguarding November 2015	Borderline Significant	24	21	1						2	Sept 2016	Apr 2017	
Customer engagement, consultation and complaint management December 2015	Borderline Significant	30	19		2		2	5	1	1	Mar 2016	Apr 2017	

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				
Shared Lives May 2016	Borderline Signifcant	10	7	1	1		1				Jun 2016	Mar 2017	
Cloud Computing June 2016	Borderline Significant	4	0		2			1		1	Jun 2017	Mar 2018	
Green Spaces January 2016	Significant	9	8		1						Jan 2016	On hold due to decision not to update software in this financial year.	
Better Care Fund May 2016	Significant	2	1					1			Sep 2016	Apr 2017	
Bank Account Reconciliations November 2015	Significant	11	7	2	2						Jan 2016	Apr 2017	
Stroud Avenue Family Centre Follow Up March 2016	Significant	1	0				1				Jun 2016	Mar 2017	
Bereavement & Registration (including Coroner) September 2015	Significant	14	13	1							Mar 2016	Mar 2017	
		210	160	7	8		9	9	1	12			4

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	

Title	Assurance Level	Raised	Implemented	No Longer Relevant
Phoenix School	Significant	19	19	
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	
		242	237	5

The tables below provide a summary of the status of all 2016/17 recommendations where the proposed implementation date was at or before 31st March 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				
Delves Infant & Nursery School October 2016	Good / Substantial	6	6										
Elmwood School July 2016	Good / Substantial	4	1								May 2017		3
St Francis Catholic Primary School September 2016	Good / Substantial	1	1										
Rowley View Nursery September 2016	Substantial / Good	4	4										
Pool Hayes Primary School June 2016	Substantial/ Substantial	16	16										
St Annes Catholic Primary School October 2016	Substantial/ Substantial	14	6								Apr 2017		8
County Bridge Primary School July 2016	Substantial/ Substantial	14	14										
St Joseph's Catholic Primary School September 2016	Substantial/ Substantial	4	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				
Whitehall Nursery & Infant School August 2016	Substantial/ Substantial	15	15										
St Peter's Catholic Primary School November 2016	Substantial/ Substantial	11	11										
Blue Coat Federation January 2017	Substantial/ Substantial	10	10										
Brownhills West Primary School January 2017	Substantial/ Substantial	11	11										
Castlefort Primary School January 2017	Substantial/ Substantial	8	8										
Whetsone Field Primary School January 2017	Substantial/ Substantial	15	11								Apr 2017		4
Little Bloxwich Primary School January 2017	Substantial / Limited	16	12								Sept 2017		4
St Bernadettes Catholic Primary School February 2017	Substantial/ Substantial	19	18								Dec 2017		1
St Marys of the Angels Catholic Primary School February 2017	Substantial/ Substantial	10	4								Apr 2017		6

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				
Abbey Primary School January 2017	Limited / Substantial	16	16										
Short Heath Federation February 2017	Substantial/ Substantial	17	6								Apr 2017		11
St Francis of Assisi March 2017	Good/ Substantial	10	10										
Homelessness March 2017	Substantial/ Substantial	5	3								Jun 2017		2
Code of Conduct for Operational PFI/PPP Contracts January 2017	Good/ Substantial	1	1										
Town & District Centres Markets	Limited / Limited	12	3								Jun 2017		9
CRC Energy Efficiency Scheme November 2016	Substantial / Limited	12	5								Apr 2017		7
Facilities Management January 2017	Limited / Limited	15	1								May 2017		14
Pheasey Park Farm Children's Centre January 2017	Substantial / Limited	15									Jun 2017		15
Accounts Payable April 2017	Good/ Substantial	2									May 2017		2
Main Accounting	Good / Good	1									Apr 2017		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				
April 2017													
Appointeeships & Deputyships April 2017	Limited / Limited	18											18
		302	197								Dec 2017		105

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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