

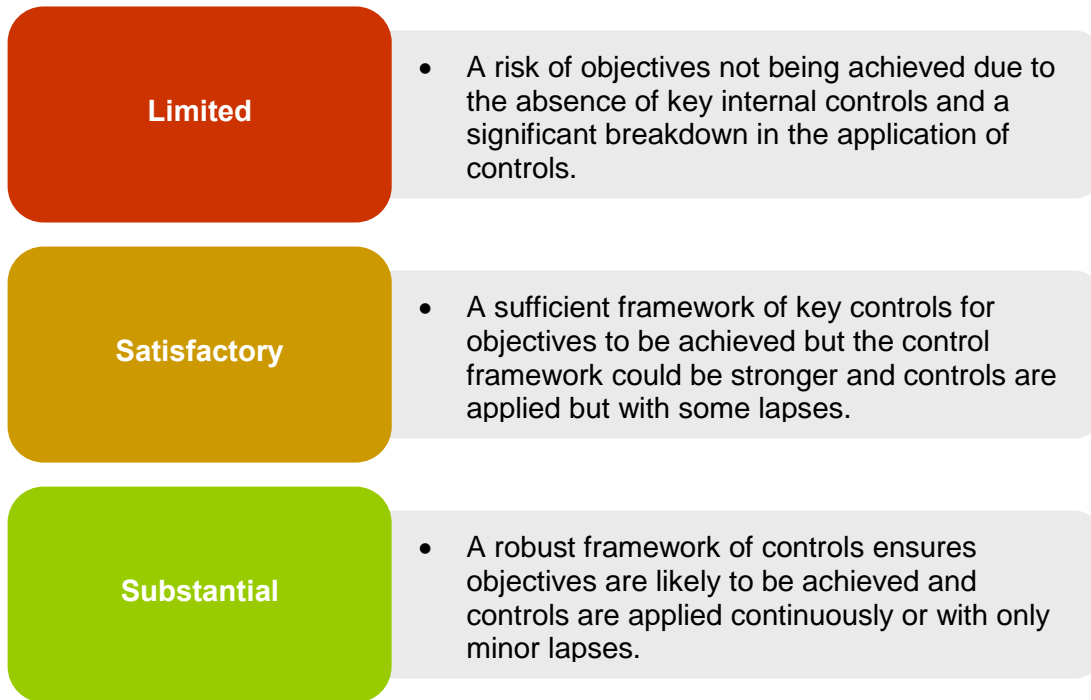
Internal Audit Progress Report @ 28 February 2018



1 Introduction

The purpose of this report is to bring the Audit and Risk Assurance Committee up to date with the progress made against the delivery of the 2017/18 Internal Audit Plan.

The information included in this progress report will feed into, and inform our overall opinion in our Internal Audit Annual Report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:



This is based upon the number and type of recommendations we make in each report. Each recommendation is categorised in line with the following:

Fundamental	Action is imperative to ensure that the objectives for the area under review are met.
Significant	Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.
Merits attention	Action advised to enhance control or improve operational efficiency.

For school reviews, the overall opinion is based on the following criteria to match the assurance categories awarded by Ofsted:

Inadequate	<ul style="list-style-type: none">• Risk of objectives not being achieved due to the absence of key internal controls, with significant breakdown in the application of controls.
Satisfactory	<ul style="list-style-type: none">• Reasonable framework of key controls exists, but could be stronger to support achievement of objectives, with occasional breakdown in the application of controls.
Good	<ul style="list-style-type: none">• Effective framework of key controls ensures objectives are likely to be achieved and controls are applied but with some minor lapses.
Outstanding	<ul style="list-style-type: none">• Robust framework of key controls ensures objectives should be achieved and controls are applied continuously.

The overall opinion for each of the school reviews is based upon the number and type of recommendations we make in each report, in line with the recommendation classifications for non-schools, i.e. fundamental, significant and merits attention.

2 Performance of the Audit Service

Staffing

Indicator	Actual
% of Audit Service staff, professionally qualified (target 34%)	40%

Relationships/Customer Satisfaction

Question	Average Score 2017/18 (to date*)	Average Score 2016/17
Usefulness of audit	5.0	4.4
Value of recommendations	5.0	4.4
Usefulness of initial discussions	5.0	4.6
Fulfilment of scope & objectives	5.0	4.5
Clarity of report	5.0	4.6
Accuracy of findings	5.0	4.8
Presentation of report	5.0	4.8
Time span of audit	5.0	4.4
Timeliness of audit report	5.0	4.4
Consultation on findings/recommendations	5.0	4.5
Helpfulness of auditors	5.0	4.5
Overall satisfaction with Audit Services	5.0	4.5

Scores range between 1 = Poor and 5 = very good. We have a target of achieving on average a score of 4 = good.

3 Summary of Work Completed between 1 April and 31 December 2017

AAN	Assessment of Assurance Need Rating
*	Awaiting Response (all longstanding responses will be brought to the attention of the committee throughout the year for monitoring purposes)
N/A	Not Applicable, review outside of normal risk based auditing approach/customer request/grant claim, etc.

Auditable Area	AAN rating	Recommendations			Total	Number accepted	Level of Assurance
		Fundamental	Significant	Merits attention			
Reported previously on							
Meadows Sports College	Medium	-	1	10	11	11	Satisfactory
St Mary Magdalene Primary School	Medium	-	1	6	7	7	Good
Lodge Primary School	Medium	-	-	5	5	5	Good
Moat Farm Infant School	Medium	-	1	6	7	7	Good
Wednesbury Local Centre	High	-	-	1	1	1	Substantial
Boscobel Tenant Management Organisation	Medium	-	1	-	1	1	Substantial
Riverside	Medium	1	5	1	7	7	Limited
House Building Development Programme	Medium	-	-	-	-	-	Substantial
Carbon Reduction Commitment	High	-	-	-	-	-	Substantial
Pot Hole Action Fund Certification	High	-	-	-	-	-	N/A
Rood End Primary School	Medium	-	3	9	12	12	Satisfactory
Lyng Primary School	Medium	-	-	4	4	4	Good
Ocker Hill Infant School	Medium	-	-	6	6	6	Good
Rowley Hall Primary School	Medium	-	1	3	4	4	Good

[ILO: UNCLASSIFIED]

Auditable Area	AAN rating	Recommendations			Total	Number accepted	Level of Assurance
		Fundamental	Significant	Merits attention			
Mayors Accounts	Medium	-	-	-	-	-	Substantial
Hateley Heath Primary School Follow Up	N/A	-	-	-	-	-	N/A
Christchurch Primary School Follow Up	N/A	-	-	-	-	-	N/A
Newtown Primary School	Medium	-	13	15	28	28	Inadequate
Tameside Primary School	Medium	-	4	2	6	*	Satisfactory
Temple Meadow Primary School	Medium	-	2	2	4	4	Good
Further Education Funding Grant Certification	High	-	-	-	-	-	Substantial
Budgetary Control	High	-	2	-	2	2	Satisfactory
Main Accounting System	High	-	1	1	2	2	Substantial
Accounts Payable	High	-	1	1	2	2	Substantial
Reported for the first time							
Accounts Receivable	High	-	1	-	1	*	Substantial
Sacred Heart Primary School	Medium	-	3	7	10	10	Satisfactory
Council Tax	High	-	-	1	1	1	Substantial
Benefits	High	-	-	-	-	-	Substantial
National Non-Domestic Rates	High	-	1	-	1	*	Substantial
Riverside – Gas Certifications	Medium	-	-	1	1	1	Substantial
Riverside – Energy Performance Certifications	Medium	1	-	-	1	1	Limited

[ILO: UNCLASSIFIED]

Audits underway as at 1 March 2018
Treasury Management
Security Controls, Financial Systems
Capital Accounting
Rents
Disposal of Land
Payroll
Personal Budgets

4 Key issues arising for the period 1 January to 28 February 2018

A general overview of other areas of planned audit work completed during the period is given below:

Riverside – Energy Performance Certificates

Energy Performance Certificates are needed whenever a property is built, sold or rented and is a legislative requirement under Article 7 of the Directive implemented into law by the Energy Performance of Buildings Regulations (2007/991). The properties are assessed on a scale from A (most efficient) to G (least efficient). It also recommends improvements that could upgrade this rating, such as installing internal and external wall insulation, replacing the boiler with a more efficient model, or installing double-glazed windows. New homes are rated between A and C and older homes between E and G. The average rating is D.

Since the PFI contract with Riverside was set up in March 2006, there have been 206 new properties built. All properties were built and handed over to Riverside between the period 2007 and 2011. It was confirmed by the Asset Officer, Riverside that on completion the contractor had provided a hard copy of the certificates to Riverside.

All 206 new properties were reviewed. From this review 72 properties were built prior to the legislation, 64 certifications found and this therefore left 70 to be located. After the draft meeting evidence was retrospectively sought and provided for all but 14 properties. Failure to comply with Government Legislation could result in fixed sanctions of between £200 to £500 per breach. Financial penalties were then passed on to Riverside by the council after this review for the breaches found. It was also agreed for EPC's to be obtained for the remaining 14 new build properties handed over, and when the remainder of the new build properties that did not fall within the legislation are re-let EPC's would be obtained.

Accounts Receivable

A review of the accounts receivable system was undertaken to ensure that an effective system was in place for raising invoices and managing debtors. This included the integrity and reliability of charging information recorded in the accounts, the collection of payments and the process to monitor and report the debtor position. One issue of significance was identified. At the time of the review, there was in excess of £8million of debt over three months old, relating to maintained schools (approximately £3.5m) and academies (approximately £4.5m). There is a historical trend of schools becoming increasingly slow in paying council invoices. Ultimately, payments do tend to be made, since only approximately £650k of the overall debt did not relate to the current financial year. The council is however, utilising additional resources and incurring extra costs, as both the Debt Recovery Team and the Schools Finance Team get involved in chasing the payment of outstanding debt. In addition, there is a potential impact upon both the council's cash flow position and its ability to generate extra income through investment opportunities.

Riverside – Gas Certifications

Under the Gas Safety (Installation and Use) Regulations 1998 as a landlord, Riverside are legally responsible for the safety of their tenants in relation to gas safety. By law they must repair and maintain gas pipework, flues and appliances in safe condition. Ensure an annual gas safety check on each appliance and flue is carried out and keep a record of each safety check carried out.

The processes and procedures were reviewed and a sample of 50 gas certifications were randomly chosen from the reports generated from the system to establish whether they had the appropriate documentation/certifications in place and they had been actioned in a timely manner. Substantial assurance was given and previously made recommendations were followed up and found to be in place.

School Audits

We continued our annual school audit programme and to assess whether schools have adequate governance, risk management and control processes in place to ensure that financial management and governance arrangements are satisfactory.

5 Other audit work carried out

CIPFA – Audit Committee Updates

We continue to present the regular CIPFA Audit Committee Updates to the committee.

Audit and Risk Assurance Committee – Terms of Reference

We submitted the Audit and Risk Assurance Committee Terms of Reference for annual review at the March 2017 meeting of the committee.

Internal Audit Plan 2017/18

We submitted the Internal Audit annual plan for 2017/18 to the committee for approval at the March 2017 meeting.

Internal Audit Annual Report 2016/17

We presented the Internal Audit annual report for 2016/17 to the committee for comment and approval at the August 2017 meeting.

Audit and Risk Assurance Committee Annual Report

Assistance was provided in the preparation of the Annual Report on the work of the Audit and Risk Assurance Committee.

Internal Audit's role in investigating allegations of Fraud and Misconduct

During the year, we have continued to invest a significant amount of internal audit time in working with the Counter Fraud Unit on investigating a number of allegations into potential fraud and misconduct, and where appropriate these will be reported back to the committee as and when they are concluded.

Annual Governance Statement

We assisted in the preparation of the Annual Governance Statement for 2016/17, which was presented to the committee at its meeting held in August 2017.

Code of Corporate Governance

We also helped in the preparation of the council's new Code of Corporate Governance.

Governance Board

We continue to play a role on the council's Governance Board.