

Internal Audit Progress Report @ 30 September 2017



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:

Limited	<ul style="list-style-type: none">A risk of objectives not being achieved due to the absence of key internal controls and a significant breakdown in the application of controls.
Satisfactory	<ul style="list-style-type: none">A sufficient framework of key controls for objectives to be achieved but the control framework could be stronger and controls are applied but with some lapses.
Substantial	<ul style="list-style-type: none">A robust framework of controls ensures objectives are likely to be achieved and controls are applied continuously or with only minor lapses.

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 30 September 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			
Meadows Sports College	Medium	-	1	10	11	*	Satisfactory
St Mary Magdalene Primary School	Medium	-	1	6	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	*	Good
Ocker Hill Infant School	Medium	-	-	6	6	6	Good
Rowley Hall Primary School	Medium	-	1	3	4	4	Good
Mayors Accounts	Medium	-	-	-	-	-	Substantial

[ILO: UNCLASSIFIED]

Audits underway as at 30 September 2017
Schools (5)
Governance
Disposal of Land
Payroll
Main Accounting System
Accounts Payable
Accounts Receivable
Benefits
Council Tax
LGPS Certification

4 Key issues arising for the period 1 April and 30 September 2017

To date we have issued one limited assurance report as follows:

In March 2006, Riverside Housing took on the management of 1,200 council properties on two estates (Harvills Hawthorn and Millfields) under the Housing Private Finance Initiative (PFI). The contract is for a period of 25 years. Our review of the management of its social housing stock was undertaken as part of the Audit Plan for 2017/18 (the council's contract with Riverside provides for such audits to be carried out to provide assurance that Riverside are complying with the contract). We identified a number of areas where improvements could be made, including:

- Data protection issues involving records management as tenancy files had tended to become document repositories over many years, resulting in excessive information being held in the files dating back 40 years.
- The performance targets for void properties includes the requirement to ensure that they are ready for re-letting no more than 29 calendar days after the termination of the previous tenancy, unless the property void contains any aids and/or adaptations. Our checks on a sample of void property records indicated overruns on several properties.
- The Environmental Challenge Fund is a fund provided by Riverside for investment in the wider community and environment in the Harvills Hawthorn and Millfields areas. The fund pays for small scale projects that add value to the regeneration and community capacity of the two estates. We found opportunities to further strengthen the allocation process for the fund by ensuring that checks carried out in order to ensure that the requirement that over 50% of 'the beneficiaries are required to live in the PFI area' are evidenced.
- The contract requires the undertaking of statutory and other inspections and checks. This includes annual inspections of gas appliances as required by legislation. Instances of late or overdue annual gas safety checks were identified alongside anomalies including missing certificates.

- While an up to date business continuity plan was held, a 'self-review' of the procedures resulted in a number of recommendations which had yet to be implemented. This included installing Wi-fi in the community bungalow and introducing an Electronic Data Management System for the manually held tenancy documents.
- We also noted that a number of fire procedure checks on properties, while we were informed that they had been carried out, were not always being recorded as so in order to evidence this, and a small number of tenancy agreements were signed by the tenant as required but were not signed as witnessed by an officer.

We understand that action is now being taken to address these issues and we will revisit them later in the year and report back to the committee should we feel insufficient action has been taken.

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

School Audits

We commenced our annual school audit programme, and eight such reviews have been undertaken to assess whether they had adequate governance, risk management and control processes in place to ensure that financial management and governance arrangements were satisfactory. Of the eight schools, six received good assurance and two received satisfactory assurance. The main recurring issue identified was regarding the School Improvement Plan which outlines the aspirations of the school and the associated resources/costs required to achieve them. While the schools had such a plan, it often only covered the current year and therefore, the mid to long term financial planning was not being effectively undertaken. Guidance from the Department for Education requires such a plan to cover a two or three-year period, to be updated on a rolling basis and to link into the budget.

5 Other audit work carried out during the period 1 April 2017 to 30 September 2017

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 of the Chair, 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.