

# Internal Audit Progress Report @ 31 January 2019



## 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 2018/19 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"><li>A risk of objectives not being achieved due to the absence of key internal controls and a significant breakdown in the application of controls.</li></ul>
Satisfactory	<ul style="list-style-type: none"><li>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.</li></ul>
Substantial	<ul style="list-style-type: none"><li>A robust framework of controls ensures objectives are likely to be achieved and controls are applied continuously or with only minor lapses.</li></ul>

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

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 Summary of Work Completed between 1 April and 31 January 2019

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			
<b>Reported previously:</b>							
Lightwoods House	N/A	-	7	-	7	7	Limited
Sandwell Community School	Medium	-	3	8	11	11	Satisfactory
Mayors Charity Account	N/A	-	-	-	-	-	N/A
Sandwell Valley missing tower lights	N/A	2	2	-	4	4	Limited
West Bromwich Market cash procedures and missing receipt books	N/A	-	5	-	5	5	Limited
Debt Collection, Income Management	N/A	2	4	-	6	6	Limited
Walker Grange Extra Care follow up	N/A	-	-	2	2	2	N/A
St Michaels High School	Medium	-	1	2	3	3	Good
Personal Budgets	High	2	8	1	11	*	Limited
Procurement – Public Health	High	-	-	-	-	-	Substantial
Perryfields High School	Medium	-	2	9	11	11	Good
Further Education Funding Grant Certification	N/A	-	-	-	-	-	N/A
Review of the School Fair Funding Scheme	N/A	-	-	-	-	-	N/A

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Auditable Area	AAN rating	Recommendations			Total	Number accepted	Level of Assurance
		Fundamental	Significant	Merits attention			
Accounts Payable	High	-	5	-	5	*	Limited
Public Buildings – Gas Safety	Medium	4	-	-	-	4	Limited
Rowley Regis Local Office 'Cash up'	Medium	-	1	1	2	3	Substantial
West Bromwich Library - Cash and Banking	Medium	-	3	-	3	3	Satisfactory
Carbon Reduction Commitment	N/A	-	-	-	-	-	N/A
<b>Reported for the first time:</b>							
Budgetary Control	High	-	2	-	2	2	Satisfactory
Leased Car Scheme	Medium	1	2	-	3	3	Limited

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Audits underway as at 1 February 2019
Stuart Bathurst High School
Voluntary Sector Leases
Voluntary Sector Grants
Treasury Management
Capital Accounting
Main Accounting System
Planned Maintenance, Riverside
Leased Car Scheme – mileage
Fire Prevention, Riverside

### 3 Key issues arising for the period 1 December 2018 to 31 January 2019

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

#### *Budgetary Control*

The General Fund Revenue Budget for the council is held on the General Ledger module (GL) of the Oracle Financial system. Central control of the budget is managed by the council's Strategic Finance team and Budgetary Control is a key financial system. Two key issues were found, this included requiring Service Managers responsible for significantly changed budgets to sign a new budget accountability letter. It was also difficult to identify virement transfers from journal entries and it was recommended that Finance employees needed to ensure that in the description 'virement' was added to the header.

#### *Leased Car Scheme*

Following concerns raised by employees and the Head of Human Resources whereby a national error in the oracle system resulted in employees having their car lease agreement 'end dated' on their P11D submission to HMRC, an audit of the Leased Car Scheme was undertaken.

A P11D is a form used to report benefits in kind. These are the items or services which an employee will receive from the employer in addition to their salary.

There are 164 employees (January 2019) who use the Leased Car Scheme. The error in the system resulted in employees having their tax code changed in August 2018, because HMRC considered that they were no longer part of the scheme. This resulted in some employees having a refund at this point in time (August) from the change made. When the error was finally corrected in November 2018 additional payments of between £30 to £200 per month were needed from these employees for the remaining five months.

#### *4 Other activities undertaken by Audit Services*

##### *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 continue to review and update the Audit and Risk Assurance Committee Terms of Reference where appropriate.

##### *Internal Audit Plan 2019/20*

The Internal Audit annual plan for 2019/20 has been prepared and will be submitted to the Audit and Risk Assurance Committee as a separate document.

##### *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*

During the year, we have continued to invest a considerable amount of resource in working with the Counter Fraud Unit on investigating a number of allegations into potential fraud. Where appropriate, these will be reported back to the Audit and Risk Assurance Committee as and when they are concluded.

##### *Annual Governance Statement*

We are currently involved in the preparation of the Annual Governance Statement (AGS) for 2018/19.

##### *Advice and Guidance*

We provide on-going advice and guidance to the council to assist with the continuous improvement of the overall control environment and to ensure compliance with relevant new legislation.

##### *Internal Audit Charter*

We submitted the Internal Audit Charter to the Audit and Risk Assurance Committee for annual review at its November 2018 meeting.

##### *Liaising with the External Auditors*

We continue assist, where required, the council's new external auditors.