

AUDIT COMMITTEE

17th DECEMBER 2012

DIRECTORATE OF FINANCE & CORPORATE SERVICES

**REPORT OF THE DIRECTOR OF FINANCE & CORPORATE
SERVICES**

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SECTION B – MATTERS FOR INFORMATION

ITEM 1

INTERNAL AUDIT SERVICE – PROGRESS REPORT TO 30TH NOVEMBER 2012

1. Purpose of the report

To provide details of the work undertaken for the period from the 1st September 2012 to the 30th November 2012 and an update on progress against the 2012/13 Internal Audit Plan.

2. Background

- 2.1. One of the terms of reference of this Committee is to ‘monitor internal (and external) audit performance’. In order to comply with this requirement to monitor the in-house service, a progress report is given below outlining internal audit work undertaken in the last six months. This work is then set against the original Internal Audit Plan to show what progress has been achieved against that plan.
- 2.2. In addition, information is provided for members on the current position regarding staffing issues within the section.

3. Audit Assignments Completed

- 3.1. A total of 28 formal audit reports have been issued since the 1st September in line with normal distribution guidelines.
- 3.2. The following is a summary list of the reports that have been issued:
 - Thirteen Minibus Reports
 - Three Primary Schools
 - Four Special Investigations
 - End of Year Provisions
 - Officers’ Interests
 - Risk Management Register
 - Mobile Telephones
 - Travel and Subsistence
 - Payroll
 - Vision Impaired West Glamorgan
 - Car Parking

- 3.3. Attached as Appendix 1 to this report is a full list of the reports along with a brief summary of their findings.
- 3.4. In addition to the above, Internal Audit continues to carry out post audit reviews (follow ups) on all the planned audits carried out.
- 3.5. There are no issues in terms of the post audit reviews that need to be brought to Members' attention.

4. Progress against the Audit Plan

- 4.1. Appendix 2 gives details of the work carried out to date against the 2012/13 audit plan.
- 4.2. There are currently seven special investigations outstanding.

5. Staffing

- 5.1. There are currently no staffing issues to be reported.

6. Procurement Cards

- 6.1. At the last Audit Committee members requested data on procurement card usage in the Authority and also an outline of how the process works.
- 6.2. This information will be provided for members in the form of a presentation to be made at the Committee.

7. Requirement for CRB Checks for School Governors

- 7.1. Also at the last Audit Committee members asked for advice on whether school governors should have a CRB check carried out in order to be able to fulfil their duties.
- 7.2. The Authority's current policy on this dated June 2011 and entitled "CRB Disclosure Guidance Education Service and Schools" states that school governors should have an enhanced CRB check.
- 7.3. The following is an extract from the policy:

With immediate effect, newly appointed and reappointed governors will be able to obtain an enhanced CRB check under the category 'school governor'.

The authority strongly recommends that all new and reappointed governors are subject to an enhanced CRB disclosure check, that governing bodies support this strong recommendation and relay to appointed governors the need to complete a CRB application form as part of the agreed governing body policy.

The clerk to the governing body will:

- need to note in the minutes of the governing body that the governing body has adopted the recommendation of the authority
- have the responsibility of ensuring that governing bodies are informed of this
- ensure that the relevant CRB application form is given to the governor on appointment

7.4. The policy further states that:

School Governors who are on two Governing Bodies will only require one CRB and will need to inform the clerk of governors which school will process the application. In the event of the governor leaving one school but maintaining the second, the clerk will be need to inform the second school of this and renewal of the CRB will then become the responsibility of that school.

7.5. Internal Audit understands that an update on the current legislative guidance is due out soon. When the details of that update become available they will be brought to Audit Committee.

Appendices

Appendix 1 – Published Reports

Appendix 2 – Audit Plan Monitoring

List of Background Papers

Audit Working Papers

Wards Affected

All

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Published Reports

Report Ref	Report Subject	Report Conclusion	Category
C1	St Joseph's Catholic Infant School	The school has good controls in place in a number of areas and the report makes recommendations to enhance the controls in place in some other areas The school is working on the implementation of the recommendations that were made.	2
C2	School Minibus	Very good controls are in place at the school and only a small number of recommendations have been made.	2
C3	End of Year Provisions	The check which included debtor and creditor invoices and capital payments found one creditor invoice payment being allocated to the wrong year.	1
C4	Officers' Interests	The check found a number of issues with regard to declarations made by officers. A subsequent follow up check has found those issues being addressed.	2
C5	Special Investigation	Internal Audit provided financial assistance to the ELLL Directorate.	1
C6	School Minibus	Good controls are in place at the school though some recommendations were required.	2
C7	Godre'r Graig Primary	The school has good controls in place in a number of areas and the report makes recommendations to enhance the controls in place in some other areas The school is working on the implementation of the recommendations that were made.	2
C8	School Minibus	Good controls are in place at the school though some recommendations were required.	2
C8	Risk Management Register	The Risk Management Register IT system provides a good foundation for the monitoring and reviewing of the Authority's key risks. A number of recommendations have been made both to further enhance the functionality of the system and the way in	2

Published Reports

Report Ref	Report Subject	Report Conclusion	Category
		which the system is used and embedded within the decision making processes of the Authority.	
C9	School Minibus	Excellent controls are in place at the school.	2
C10	School Minibus	Good controls are in place at the school though some recommendations were required.	2
C11	Mobile Telephones 2012/13	A number of recommendations were made. Particular issues raised included manager awareness of Authority policies on mobile telephone use and the quality of management information available.	2
C13	School Minibus	Good controls are in place at the school though some recommendations were required.	2
C14	Travel and Subsistence Apr – June	Whilst overall the systems in place relating to the authorisation and payment of travel and subsistence claims were found to be good, a small number of incorrect claims were picked up that have been returned to the Directorate.	2
C15	School Minibus	Some good controls were found to be in place though a number of recommendations have been made to enhance these controls.	2
C16	Payroll Apr – July	Sound controls were found to be in place and only a small number of recommendations were made.	2
C17	School Minibus	Some good controls were found to be in place but some recommendations need to be addressed as soon as possible.	3
C18	Blaenhonddan Primary	The school has good controls in place in some areas and the report makes recommendations to enhance the controls in a number of other areas including that of staff checks. The school is working on the implementation of the recommendations that were made.	3
C19	Special Investigation	This arose as a result of an internal referral. Following the report's issue, further follow up work has been requested.	1
C20	Special Investigation	This arose as a result of an internal referral. The investigation	1

Published Reports

Report Ref	Report Subject	Report Conclusion	Category
		found no case to answer.	
C21	Vision Impaired West Glamorgan	The accounts were found to fairly represent the financial position of the charity.	1
C22	School Minibus	Good controls are in place at the school though some recommendations were required.	2
C23	Special Investigation	This arose as a result of an internal referral. Further follow up work will be required.	2
C24	School Minibus	Good controls are in place at the school though some recommendations were required.	2
C25	School Minibus	Some good controls were found to be in place though a number of recommendations have been made to enhance these controls.	2
C26	School Minibus	The school has some good controls in place but some recommendations need to be addressed as soon as possible.	3
C27	Car Parking 2012/13	Very good controls were found in many areas but some recommendations were made to enhance the controls in some other areas.	2
C28	School Minibus	Good controls are in place at the school though some recommendations were required.	2

Key:

Category 1 – Service risk assessed as low.

Category 2 – Service risk will be assessed as low when the recommendations are implemented.

Category 3 – There are significant risks that Audit Committee needs to be aware of.

Category 4 – Immediate action is required to reduce the level of risk.

Audit Plan Monitoring

<u>Monitoring Date</u>	<u>4th December 2012</u>				
<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<u>Education, Liesure and Lifelong Learning</u>					
School Based Audits					
Twenty Primary Schools	M	Three reports issued.	Six Reports Issued in the year to date.	Nine reports issued in the year to date.	
Three Secondary Schools	H	Planned change to two schools plus minibus audit due to the number of schools with a minibus.		One school audit completed, draft report prepared.	
Other Education					
Student Finance	M			Work in progress.	
Milland Road Training Agency	L				
Prince's Trust	M				
<u>Leisure, Culture and Lifelong Learning</u>					
Youth Clubs	M				
Field Studies Centre	L	To be replaced by minibus audit.		Work in progress	
School minibuses	H	Scope and programme agreed. Work to start at end of quarter 2	First minibus audit completed and report issued.	Fifteen reports issued in the year to date.	
<u>Finance and Corporate Services</u>					
Revenue Collection					

Audit Plan Monitoring

<u>Monitoring Date</u>	<u>4th December 2012</u>				
<u>Audit Plan Item</u>	<u>Risk</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Council Tax	H	Periodic checks being carried out	Periodic checks being carried out	Periodic checks being carried out.	
NNDR	M		Periodic checks being carried out	Periodic checks being carried out.	
Debtors	H		Periodic checks due to begin.	Scoping work completed.	
Cash Collection	H	Spot checks being carried out.	Spot checks being carried out.	Spot checks being carried out.	
Benefits Administration					
Benefits	M		Periodic checks being carried out	Periodic checks being carried out.	
Prosecution Panel	N/A	On-going	On-going	On-going.	
Exchequer					
Payroll	M		Periodic checks due to begin.	Periodic checks being carried out. One report issued.	
Creditors	H	Work on cut-off procedures has been completed.	Periodic checks being carried out	Periodic checks being carried out.	
Travel Expenses	M		Periodic checks being carried out	Periodic checks being carried out. One report issued.	
Accountancy					
Treasury Management	H		Periodic checks due to begin.	Work in progress.	
Bank Reconciliation	M				
Grants	H				
Trust Funds	M			Work in progress.	

Audit Plan Monitoring

<u>Monitoring Date</u>	<u>4th December 2012</u>				
<u>Audit Plan Item</u>	<u>Risk</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Main Accounting	M				
Legal Services					
None					
<u>Chief Executive's</u>					
System Reviews	M	To be replaced by Risk Register audit.	See Quarter 1	See Quarter 1	
Working Time Validation	M	Scope prepared.	Work in progress	Work in progress.	
Risk Register	M	Work in progress.	Draft report being prepared	Work completed report issued.	
<u>Social Services, Health and Housing</u>					
Housing					
Property Bay Wales	H	Preliminary work in progress.	Work in progress	Work in progress.	
Social Services					
External Care Providers	H				
Hillside Secure unit	M			Work in progress	
Establishment Audits	M	On-going, two reports issued to date.	Five reports issued to date	Work completed, five reports issued.	
Home Care Finance	M	Work in progress	Work completed	See Quarter 2	
To Be Agreed	N/A				
<u>Environment</u>					
Carbon Reduction Scheme	H	Work due to start in July	Awaiting Environment Directorate	Work in progress.	

Audit Plan Monitoring

<u>Monitoring Date</u>	<u>4th December 2012</u>				
<u>Audit Plan Item</u>	<u>Risk</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Stores	M		Periodic checks due to begin.	Periodic checks started. Now to be carried out by WAO.	
Convergence Funding	H			Audit scope prepared.	
Fuel Usage of Vehicles	M			Work completed report issued.	
Car Parking - Pay and Display	M	Scope prepared.	Work in progress		
<u>Cross Directorate</u>					
Special Investigations	N/A	Currently five investigations on-going	Two reports issued, seven investigations outstanding.	Nineteen investigations have been or are being carried out. Six reports have been issued, seven have resulted in no report being required and six are currently on-going.	
Advice and Guidance	N/A	On-going	On-going	On-going.	
IT - Asset Management	N/A				
IT - Wireless Network	N/A				
IT - Mobile Telephones	N/A		Work in progress.	Work completed report issued.	
Contract Audit	N/A	On-going	Work in progress.	Work on-going.	
Corporate Governance	N/A	Annual Governance Statement Produced.	See Quarter 1	See Quarter 1	
Bribery Act	N/A				
Officer Declarations	M		Periodic checks being carried out.	Periodic checks carried out report issued.	
FOI Act	M				

Audit Plan Monitoring

<u>Monitoring Date</u>	<u>4th December 2012</u>				
<u>Audit Plan Item</u>	<u>Risk</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Petty Cash	M		Quarterly checks being carried out. One report issued.	See Quarter 2	
CRB Checks	M		Work in progress.	Work on-going.	
<u>Other Commitments</u>					
Working Parties	N/A		On-going	On-going.	
Audit Committee	N/A	On-going	On-going	On-going.	
FOI Requests	N/A			Two requests have been received.	
Accounting Instructions	N/A		Work in progress.	Work on-going.	
Contingencies	N/A	One grant claim has been audited and report issued.	See Quarter 1	See Quarter 1 plus periodic checks have been carried out on procurement card usage.	
WGBWA	N/A			Work completed report issued.	
WPI's	L	Work in progress	Work completed and report issued.	See Quarter 2	

ITEM 2

STATEMENT OF ACCOUNTS – PLANNED WORK PROGRAMME

1. Purpose of the report

- 1.1 The Audit Committee approved the Final Statement of Accounts for 2011/12 on 27th September 2012. At this meeting, it was agreed that the Council would work with the Wales Audit Office to continue to improve the accounts preparation process.
- 1.2 This report outlines the work undertaken to date to take forward these improvements.

2. Initial Developments

- 2.1 The initial work undertaken has focused on addressing the issues raised in the Wales Audit Office (WAO) report, with some improvements designed in house and others developed jointly with the WAO team. The improvements being developed include:

Capital

Steps have already been taken to improve the completion of the Capital element of the Statement of Accounts, with an early agreement being made with the Estates Team to provide updated valuation information at agreed frequencies rather than all work being undertaken after the end of the financial year. This will give the Capital Team the opportunity to undertake analysis at a much earlier stage than in previous years.

The development of working papers files and for referencing electronic documents, which should ease the work of the WAO, is already being progressed.

Comprehensive Income and Expenditure Statement (CIES)

The Council's main accounts are formatted in a way that ensures that information is easily available for the monitoring of services at a management level. The requirements of accounting regulations mean that this information needs to be converted from this format into the one designated in each year's Code of Practice. To date, the preparation of much of this information has relied on manually

analysing the financial system. The reporting facilities available within the Council's ledger are being used to develop reports which will ease the production of this information.

Presentational issues

The comments included in the WAO report addressed a number of presentational issues which have arisen as a result of the way in which the report has been prepared in previous years.

In the past, the Statement of Accounts information was prepared and then punched into a word document. The use of this format resulted in a significant amount of addition and cross checking, firstly to ensure that numbers had been entered correctly, but also to ensure that the same number appeared in all parts of the report. This work was particularly onerous when numbers changed frequently as part of the closing process.

In future, the working papers used to hold the information fed through to the Statement of Accounts will be embedded within the Statement itself. By spending time in developing this format, so that information which is common throughout the report is automatically updated, a saving in the time required to produce the report will arise which will release resources to focus on reviewing the content of the report.

Comprehensive Supported Working Papers

Although recognising that better quality accounts were produced for 2011/12, the WAO identified that the working papers in some areas were incomplete or missing, with these difficulties exacerbated by the level of changes in personnel during the closure period following the restructure of the Financial Services Division. WAO and the Council have met to agree a draft schedule for both the format of the Directorate working paper files and for the content and analysis of information to be either included in the files, or cross referenced within the files and provided electronically.

This draft schedule is to be discussed and updated following a meeting with all Group Accountants.

3. Further Improvements

3.1 Following the steps taken to date, it was agreed that after the discussions with the Group Accountants, a further meeting would be arranged with WAO to:

- Confirm the arrangements for common file formats and analysis to be included within the service directorate files.
- Introduce a shared directory with the WAO in the service area where this is not currently available.
- Agree a protocol for referencing all electronic files within the working paper files.

3.2 Council staff and WAO will continue to meet regularly to ensure that the requirements of the updated Code of Practice are incorporated before the production of the draft Statement of Accounts in June 2013.

List of Background Papers

Closing working papers 2012/13

Wards Affected

All

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