

DIRECTORATE OF FINANCE & CORPORATE SERVICES

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES - H JENKINS

26th September 2014

SECTION B – MATTERS FOR INFORMATION

WARDS AFFECTED: All

INTERNAL AUDIT SERVICE – PROGRESS REPORT TO 31ST AUGUST 2014

1. Purpose of the report

To provide details of the work undertaken for the period from the 1st June 2014 to 31st August 2014 and an update on progress against the 2014/15 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 quarter. 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 staff vacancies and other staffing issues within the section.

3. Audit Assignments Completed

3.1. A total of 14 formal audit reports have been issued since the 1st June in line with normal distribution guidelines.

3.2. The following is a summary list of the reports that have been issued:

- 4 Special Investigations
- 3 Primary Schools

- Safeguarding Children
- Payroll
- Regional Transport Grant
- Treasury Management
- Housing Renewal Area
- National Strategic Indicator
- End of Year Financial Provisions – Creditor Payments

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 2014/15 audit plan.

4.2. There are currently 4 special investigations in progress.

5. Performance

5.1 A comparison of the work completed during the financial year with the work planned was provided to the Committee held in June. Attached as Appendix 3 are the performance figures for the section for 2013/14 with comments provided below.

5.2 In terms of the overall plan, 92% of the plan was completed. When compared to the average of the last 5 years performance has improved in 90% of the indicators.

6. Staffing

6.1 Currently there are two members of staff studying for their professional accountancy qualifications. They are both studying towards the CIPFA qualification and will be sitting exams in December.

6.2 There is currently 1 Audit Assistant vacancy due to budget issues it is unsure as to when this vacancy will be filled.

7. Property Bay Wales

7.1 At the last Committee it was asked what the position was in relation to filling the non-executive Director vacancy on the board.

7.2 The Principal Officer with day to day responsibility for PBW advised that at a recent Board meeting the decision was taken not to pursue the option of electing a non-executive director.

8. Well Being Powers

8.1 At the last Committee Members asked for clarification of what Well Being Powers were.

8.2 Part 1 of the Local Government Act 2000 introduced a power for local authorities in England and Wales to promote the economic, social and environmental well-being of their area.

8.3 Section 2 of the Local Government Act 2000 applies to county councils, county borough councils and community councils in Wales and provides that every local authority in wales are to have power to do anything which they consider is like to achieve any one or more of the following objects-:

- a) the promotion or improvement of the economic well-being of their area
- b) the promotion or improvement of the social well-being of there are, and
- c) the promotion or improvement of the environmental well-being of their area

8.4 The above power may be exercised in relation to or for the benefit of:

- a) the whole or any part of a local authority's area
- b) all or any persons resident or present in a local authority's area

8.5 However the, the Local Government Act 2000 itself does not provide any statutory definition of what is meant by the term "well-being".

8.6 In order to determine what is considered to be "well-being, the Council must 1) have regard to its community strategy and 2) any guidance issued by the Welsh Ministers.

8.7 As to guidance the most recent issued in April 2013 by the Welsh Ministers is entitled Statutory Guidance to Welsh Local Authorities on the power to promote or improve Economic, Social or Environmental Well-being under the Local Government Act 2000.

8.8 The Guidance observes at paragraph 1.2 the following should be taken into account when determining what is "well-being"

"Individual local authorities may determine the types of activities that will promote or improve the well-being of their area. The term "well-being" is not directly defined in the Act nor in this guidance as different local authorities may have different views about the types of activities that will promote or improve the well-being of their area. Actions taken under the well-being power should be informed by, and be responsive to, the views of the people and communities in the area.

The well-being of an area and the people within the area will depend on many factors. Often these factors will not be under the direct control or influence of the local authority or other public bodies, for example, some national global issues.

Local authorities are best placed to make an assessment of what is needed to promote well-being, and can provide a solid foundation for the overall well-being of their area that responds directly to local, regional and national issues.

Key factors which contribute to the promotion or improvement of well-being may include:

- *Economic factors such as the availability of suitable and high quality jobs, measures to encourage to encourage local small businesses, efficient and effective transport links, lifelong learning, training and skills development, the provision of infrastructure and new information and communication technologies etc;*
- *Social factors such as the promotion of good quality and affordable housing; safe communities, the encouragement of the voluntary sector; looking after the needs of children and young people, particularly the most vulnerable; access to the arts or leisure opportunities; access to education etc;*
- *Health related factors such as the promotion of good physical, social and mental health and developing and promoting policies which have a positive impact on health outcomes, especially on health inequalities;*
- *Environmental factors such as the availability of clean air, clean water, clean streets, the quality of the built environment, the removal of objects considered hazardous to health, removal of disfiguring or offensive graffiti from buildings, protecting communities against the threat of climate change, freedom from a high risk of flooding, improving and promoting biodiversity and accessibility to nature; and*
- *Promoting sustainable development; which the Welsh Government has defined as enhancing the economic, social and environmental well-being of people and communities, achieving a better quality of life for our own and future generations in ways which:*
 - a) *promote social justice and equality of opportunity;*
and
 - b) *enhance the natural and cultural environment and respect its limits using only our fair share of the earth's resources and sustaining our cultural legacy."*

8.9 The use of power is subject to normal public law principles and the Council's fiduciary duty to its council tax payers.

8.10 It should be notes that the Guidance goes on to observe that:

"local authorities need to ensure that existing legislation does not impose limitations on the use of the well-being power. Accordingly, the well-being power cannot be used to circumvent prohibitions, restrictions or limitations set out in legislation nor can it be used to raise money. As

such, if another legislative provision contained a financial limit the well-being power could not be used by a local authority to circumvent this existing legislative requirement”

8.11 The well-being power highlights the relaxation in the statutory restrictions on the ability of a local authority to incur expenditure. Decisions to commit funds under the well-being power need to be transparent and reflect good practice in assessing options. As with other statutory functions the use of the well-being power will be subject to audit.

Appendices

Appendix 1 – Published Reports

Appendix 2 – Audit Plan Monitoring 2014/15

Appendix 3 – Performance Indicators 2013/14

List of Background Papers

Audit Files

Wards Affected

Not Applicable

Officer Contact

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Published Reports

Report Ref	Report Subject	Report Conclusion	Category
R11 – 14/15	Safeguarding Children – Children who go missing & children at risk of sexual exploitation	Testing undertaken during this audit clearly showed that procedures had been strengthened during the last 18 months and there was no significant non-compliance with the All Wales Protocols.	2
R12 – 14/15	Payroll 13/14	Good controls were found to be in place.	2
R13 – 14/15	Regional Transport Grant 13/14	Good controls were found to be in place and the amount of grant claimed was accurate.	1
R14 – 14/15	Pontryhydyfen Primary School	Generally good control were found to be in place and the recommendations made will enhance the existing controls	2
R15 – 14/15	SI - School Budget Issues	This audit investigation arose as the result of a request from the Head of Service. A number of recommendations were made to enhance the budget monitoring process at the school.	N/A
R16 – 14/15	Treasury Management 13/14	Good controls were found to be in place with some recommendations made that will further enhance the controls currently in place	2
R17 – 14/15	SI –Travel Claims	A referral was made by the Head of Financial Services to undertake an investigation into the completion of travel claims. The investigation did not reveal any fraud or mal practice but training has been provided to ensure correct completion of claim forms going forward.	2
R18 – 14/15	Tonnau Primary School	Good controls were found to be in place in all areas other than the collection of school dinner money debt, recommendations were	2

Published Reports

Report Ref	Report Subject	Report Conclusion	Category
		made to address this issue.	
R19 – 14/15	Maesmarchog Community Primary School	Generally good controls were found to be in place and recommendations made will enhance the existing controls.	2
R20 – 14/15	Housing Renewal Area	Good controls were found to be in place and the recommendations made will enhance the existing controls.	2
R21 – 14/15	SI - regarding pre-employment checks	Concerns were identified during another audit. Investigation and further testing showed that the error made was an isolated incident.	N/A
R22 14 – 15	NSI – EDU/015	An error was found in the calculation of this National Strategic Indicator, which was subsequently re submitted to Welsh Government	2
R23 14 – 15	End of Year Creditor Payments	Generally good controls were found to be in place, recommendations were made in relation to the I-Procurement system.	2
R24 14 – 15	SI – Travel Claims	Concerns were raised by a service manager regarding travel expenses claims. The investigation did not reveal any fraud or malpractice merely poor practice in the way in which the employee recorded journeys undertaken.	N/A

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 2014-15

<u>Monitoring Date</u>	<u>31st August 2014</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, Leisure and Lifelong Learning</u>					
School Based Audits					
20 Primary Schools	M	2 schools audited and reports issued	3 schools audited and reports issued		
3 Secondary Schools	H		2 audits planned and booked for next quarter		
Other Education					
Adult Education	M		Audit planned will commence next quarter		
PLASC	M	Audit in planning stage	Due to information obtained during the planning process this audit will not now be undertaken		
Leisure, Culture and Lifelong Learning					
None					
<u>Finance and Corporate Services</u>					
Revenue Collection					
Council Tax	M				
NNDR	M				
Sundry Debtors	H				
Cash Collection	H	Unannounced checks taking place	Unannounced checks taking place		

Audit Plan Monitoring 2014-15

Benefits Administration

Housing Benefits	M		
Attendance at Prosecution Panel	N/A	The regular meetings are attended by Audit	The regular meeting are attended by Audit

Exchequer

Payroll	M
Creditor Payments	H
Travel and Subsistence Allowances	M

Accountancy

Treasury Management	H
Bank Reconciliation	M

Legal Services

None

Chief Executive's

Electoral Registration	M
Internal/Public Information	L

Social Services, Health and Housing

Housing General Fund:

Homelessness	M
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Social Services

Fostering & Adoption	H	No longer being undertaken due to the service being reconfigured and falling under Western Bay Safeguarding Board
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Audit Plan Monitoring 2014-15

Hillside Secure unit	M		
Community Meals	M		
Environmental Health	H		
Pre-Employment Checks - Adults	H	Audit commenced	Work completed awaiting agreement of draft report

Environment

Asset Register	M		
Stores/Equipment	M		
Planning	M	Audit in planning stage	In progress
Grant Funding	H		
CRC Submission	H		

Cross Directorate

Special Investigations	N/A	1 Report issued. No new investigations currently in progress	4 currently in progress
Advice and Guidance Requests	N/A	On-going	On-going
I.T. Audit	N/A	1 audit in progress	Audit complete awaiting agreement of draft report
Contract Audit	N/A		
Corporate Governance Arrangements	N/A	On-going	On-going
Bribery Act	N/A		In progress
Officer Declarations	M	Audit completed and report issued	
Data Protection	H		
Petty Cash	M		In progress
Risk Management	M		
Banking System Administrator	N/A	On-going	On-going

Other Commitments

Audit Plan Monitoring 2014-15

Attendance at Working Parties	N/A	On-going	On-going
Servicing/Attendance at Audit Committee	N/A	On-going	On-going
FOI Requests	N/A	None received to date	1 received and answered
Review of Accounting Instructions	N/A	On-going	Ongoing
Contingencies	N/A		
West Glamorgan Blind Welfare Association	N/A		In progress
WPI Work inc. Performance Indicators	L	Audit in planning stage	1 report issued, no further work will be done in this area due to resource issues in the service areas
SWTRA	N/A		

Appendix 2

Audit Plan Monitoring 2014-15

No.	IAS Ref	Performance Indicator	All Wales or Local	2013/14 Wales Ave	2013/14 Actual	07/08 - 12/13 Ave
L(IA) 1		Progress against original Audit Plan % of planned assignments completed:				
		‘High Risk’ areas	Local		96.88%	93.40%
		‘Medium Risk’ areas	Local		93.75%	59.20%
	1	All' Areas	All Wales	80.00%	91.75%	79.83%
	1	No of Audits	All Wales	126	84	57
L(IA) 2	5	Percentage of directly rechargeable time in relation to total available	All Wales	68.00%	69.30%	58.66%
	8	Percentage of directly rechargeable time actual vs planned	All Wales	94.00%	102.20%	71.82%
New	11	Staff costs per 1,000 population	All Wales	£2,381.00	£2,116.90	£2,423
	11	Population	All Wales	151000	140108	137270
New	12	Staffing costs per £m gross revenue expenditure & H.R.A.	All Wales	£842.00	£678.29	£875.83
	12	GRE and HRA	All Wales	488.000	437.269	390.208
L(IA) 3	9	Average cost (salaries and employers contributions only) for directly rechargeable day	All Wales	£225.00	£216.69	£257.01
	9	No.Audit of staff	All Wales	9	9	10
		Number of audit posts			7.8	11
		Number of staff leaving during financial year	New		1	2
	10	% no. of staff leaving during financial year	All Wales	22.00%	11.11%	12.69%

Appendix 2

Audit Plan Monitoring 2014-15

No.	IAS Ref	Performance Indicator	All Wales or Local	2013/14 Wales Ave	2013/14 Actual	07/08 - 12/13 Ave
L(IA) 4		Average all-inclusive cost (direct and support costs) for directly rechargeable day	Local		£222.02	£265.52
L(IA) 5	2	Quality Assessment – audit assignments completed – clients satisfied with service (based on return of comprehensive survey forms – issued on production of final audit reports)	All Wales	97.00%	100.00%	99.74%
	2	Percentage of CSS's returned	All Wales	54.00%	48.98%	48.58%
L(IA) 6		Efficiency and effectiveness assessment of the Internal Audit Service by the Council's External Auditors (in line with their statutory responsibility) - Benchmark – "Code of Practice for Internal Audit in Local Government in the United Kingdom".	Local			N/A
L(IA) 7	4	Total actual time taken for each assignment measured against planned time (excluding special investigations and other ad-hoc work):-				
		Within planned time	All Wales	71.00%	55.22%	60.16%
		Within 2 days of planned time	Local		73.13%	65.56%
		Within 3 to 5 days of planned time	Local		10.45%	7.41%
		Over 5 days of planned time	Local		16.42%	13.84%
Average number of days spent per audit	New		11.2	13.3		
L(IA) 8	7	Period between end of 'fieldwork' and issue of draft audit report for discussion with client (within 10 working days)	All Wales		84.51%	82.55%
		Average no. of days from end of 'field work' and issue of draft report	All Wales	9.5	5.0	6.9
L(IA) 9		Period between issue of draft report for discussion with client and agreement of draft report with client (within 10 working days)	All Wales		85.92%	72.43%
		Average number. of days	Com		5	14

Appendix 2

Audit Plan Monitoring 2014-15

No.	IAS Ref	Performance Indicator	All Wales or Local	2013/14 Wales Ave	2013/14 Actual	07/08 - 12/13 Ave
L(IA) 10	6	Issue of final report after agreement of draft (within 2 working days). This higher target level was set in 2003/04.	Local		85.92%	80.08%
		Average number of days	All Wales	2.4	1.4	2.6
L(IA) 11	3	Percentage of recommendations contained in audit reports –agreed – versus implemented within normal post audit review periods	Local		86.96%	92.03%
		Percentage of recommendations Agreed	New	99.13%	100.00%	97.48%
New		Number of Special Investigations completed	New		7	10
		No of Audits	All Wales		84	52
		Number of Audits less Special Investigations	New		77	42