
Internal Audit Interim Report 2017/18 - Summary Report

Committee considering report: Governance and Ethics Committee

Date of Committee: 05 February 2018

Portfolio Member: Councillor Graham Bridgman

Date Portfolio Member agreed report:

Report Author: Ian Priestley

Forward Plan Ref: GE3258

1. Purpose of the Report

- 1.1 To update the Committee on the outcome of internal audit work carried out during the first half of 2017-18.
- 1.2 The Public Sector Internal Audit Standards, as adapted by CIPFA's "Local Government Application Note" requires the Chief Internal Auditor to make a formal report annually to the Council in order to present an opinion of the Council's internal control framework.
- 1.3 In addition to the formal annual report the Chief Internal Auditor provides an interim report to the organisation in the course of the year. The interim report aims to address emerging issues in respect of the whole range of areas to be covered in the formal annual report. This report provides an interim view looking at the first 6 months of the year.

2. Recommendation

- 2.1 To note the report.

3. Implications

- 3.1 **Financial:** None
- 3.2 **Policy:** None
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** None
- 3.6 **Property:** None
- 3.7 **Other:** None

4. Other options considered

- 4.1 None

Executive Summary

5. Introduction / Background

- 5.1 A summary of the internal audit work that is currently underway is at appendix B. Details of completed work is at appendix C.
- 5.2 The following table summarises the results of the audit work where an opinion was given.

Type	Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
Key Financial Systems				1	
Other systems	2	1	2	2	

- 5.3 Details of the audits that were rated as weak / very weak are outlined below with an update for the relevant Head of Service.

- (1) Property database – Finance and Property Service, assessed as very weak.

Internal Audit concluded that the system is not being used as intended and the Service continues to rely on spreadsheets to hold key information. The following issues were identified:

- (a) The project was implemented using the Council's Project Management Methodology. Phase 1 of the project was signed off as complete, although the system had not been fully implemented across the whole of Property Services which had been the intention. This indicates there was a lack of a robust challenge on the outcomes of Phase 1 by the project sponsor and the I.T. Programme Board.
- (b) The key aim for the new Property Database was that it would provide comprehensive data to be able to be an effective tool to manage the Council's Property portfolio. The system is not being utilised and therefore the key aim of the system implementation has not been met
- (c) There was no closure report prepared for Phase 2 (this provided enhancements to the system) of the project.
- (d) The system is not being used to record all types of property data as stated in the original specification, nor is it being kept up to date with the data types that should be recorded.
- (e) The system is not being used to produce reports.
- (f) The system has not been rolled out across other services/teams as extensively as had been originally specified.

- (g) There is no System Administrator in post to manage the use of the system.
- (h) There has been limited support/training available to users of the system.

The Head of Finance and Property comments – to progress with both the recommended actions of the audit and the long term ongoing tasks associated with the management of property data on the database, a dedicated resource has been allocated from within the current Property Team establishment (currently being recruited to following the post holder leaving WBC employment). Recent activities to address audit recommendations includes achieving formal closure of Project2, refreshing or uploading of new asset site data (in the region of 400 records), uploading the backlog and new data regarding asbestos (90% complete) and commencement of uploading data on building condition, fire safety and legionella data.

- (2) Asset Management Strategy – Finance and Property Service, assessed as very weak.

Internal Audit found that the Council has established a corporate Asset Management Strategy for property assets, however,

- (a) The document is very brief, and only gives high level statements of its aims and objectives.
- (b) There are no 'plans' developed stating how the strategy is to be implemented. There are more detailed Asset Management Plans prepared in specific services, for example Education, however, there are no linkages in the preparation of these service plans with the corporate approach, which therefore leads to a silo approach to managing assets.
- (c) There isn't an established asset management performance framework, setting out corporate expectations of the Council's asset portfolio, or setting targets against which to measure the performance, and be able to flag up any issues of under performance so corrective action can be taken.
- (d) There are governance arrangements in place, with the Asset Management Group (AMG) having been set up to oversee the implementation of the Asset Strategy. The AMG is a subgroup of the Capital Strategy Group.
- (e) Asset reviews are undertaken which RAG rate assets according to how they meet strategic priorities, a property disposal plan is produced for those assets rated as red. Updates on progress are provided to the AMG for information and discussion. These reviews do not encompass the utilisation/running and maintenance costs of building, and therefore the approach is a very high level overview of the use of the Council's property portfolio.

The Head of Finance and Property comments - a new Asset Management Strategy document has been drafted, following good practice guidance, for

inclusion in the refresh of the Capital Programme. This strategy document conveys the relevant elements of the WBC built and land assets and an action plan to review the estate to ensure the estate is operated efficiently and to manage the estate including any surplus assets.

- (3) Home to school transport – Head of Transport and Countryside, assessed as weak. Internal audit noted:
- (a) There is a standard contract template in place with service providers and details of each contract are held on Routewise (schools transport management system). We did not identify any issues with the Team's day to day processing of requests for transport to be arranged, and effective processes are in place to check the accuracy of the provider invoices.
 - (b) Contracts are being reviewed and re let as and when the service considers it necessary, rather than following a programme of reviews, which has resulted in some contracts not being re let for quite a number of years. We were informed that there is a timetable for the contracts to be re let, but the team are awaiting a new corporate procurement system, as a compensating process, each year contracts are reviewed to determine if they still seem reasonably priced and working well.
 - (c) We found that the service has not determined and documented its actual approach to monitoring the provider contracts. For some aspects of the contract, there are processes for monitoring compliance with the terms and conditions i.e. DBS driver / escort checks and insurances. There are a number of other areas where the monitoring arrangements have not been established, such as ensuring that operators are complying with Health and Safety legislation and vehicle standards. The contract includes areas of non performance / defaults, however we found that the system of issuing/monitoring default notices has not been fully developed and is not linked into default points or penalties.
 - (d) At the draft discussion stage, we were informed that things have moved on considerably since the audit commenced and many of the contractual issues have been addressed by the employment of the new Transport Quality Officer in November 2016.

The Head of Transport and Countryside comments - this audit was carried out in 2015/16 and the situation has moved on since then, particularly since the new post of Transport Quality Officer was funded and appointed in late 2016. Another key issue is the absence of a corporate Dynamic Purchasing System, although this has now been approved and should be in place for the start of 2018/19. It should also be noted that the majority of activities audited were rated as Well Controlled or Satisfactory, but the small number of Weak ratings resulted in Home to School Transport being rated as weak overall'.

5.4 The following summarises the results of follow up audits.

Type	Unsatisfactory	Satisfactory
Key Financial Systems		
Other systems		1

6. Proposal

6.1 Note the results of the work carried out.

7. Conclusion

7.1 No fundamental weaknesses were identified in the Council's internal control framework through the work carried out by internal audit. However, as noted in previous reports to the Committee, levels of assurance work being carried out are much reduced, and yet there are a higher than usual number of audits rated as weak. This situation will need monitoring to determine whether this is an exception, or a worrying trend.

8. Appendices

8.1 Appendix A – Equalities Impact Assessment

8.2 Appendix B – Audit work underway

8.3 Appendix C – Audit work completed

Appendix A

Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

- “(1) A public authority must, in the exercise of its functions, have due regard to the need to:***
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;***
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; This includes the need to:***
 - (i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;***
 - (ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;***
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.***
- (2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.***
- (3) Compliance with the duties in this section may involve treating some persons more favourably than others.”***

The following list of questions may help to establish whether the decision is relevant to equality:

- Does the decision affect service users, employees or the wider community?
- (The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)
- Is it likely to affect people with particular protected characteristics differently?
- Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?
- Will the decision have a significant impact on how other organisations operate in terms of equality?
- Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?
- Does the decision relate to an area with known inequalities?
- Does the decision relate to any equality objectives that have been set by the council?

Please complete the following questions to determine whether a full Stage Two, Equality Impact Assessment is required.

What is the proposed decision that you are asking the Executive to make:	Not going to the Exec
Summary of relevant legislation:	None
Does the proposed decision conflict with any of the Council's key strategy priorities?	No decision
Name of assessor:	Ian Priestley
Date of assessment:	15.1.18

Is this a:		Is this:	
Policy	Yes/No	New or proposed	Yes/No
Strategy	Yes/No	Already exists and is being reviewed	Yes/No
Function	Yes/No	Is changing	Yes/No
Service	Yes/No		

1 What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	
Objectives:	
Outcomes:	
Benefits:	

2 Note which groups may be affected by the proposed decision. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this. (Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	What might be the effect?	Information to support this
Age		
Disability		
Gender Reassignment		
Marriage and Civil		

Partnership		
Pregnancy and Maternity		
Race		
Religion or Belief		
Sex		
Sexual Orientation		
Further Comments relating to the item:		

3 Result	
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	Yes/No
Please provide an explanation for your answer:	
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	Yes/No
Please provide an explanation for your answer:	

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the [Equality Impact Assessment guidance and Stage Two template](#).

4 Identify next steps as appropriate:	
Stage Two required	
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	

Name:

Date:

Please now forward this completed form to Rachel Craggs, Principal Policy Officer (Equality and Diversity) (rachel.craggs@westberks.gov.uk), for publication on the WBC website.