

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2013/14

COMMITTEE:

AUDIT COMMITTEE

7th May 2014

Item No. 5
Internal Audit Annual Report 2013/14

REPORT OF:-

GROUP DIRECTOR, CORPORATE SERVICES

Author: Marc Crumbie (Operational Audit Manager)

(01443) 680779

1. PURPOSE OF THE REPORT

This report provides Members with an annual report, together with a statement of assurance in respect of the internal control environment, based on the work undertaken by Internal Audit during 2013/14.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the contents of this Report.
- 2.2 Consider what comments and recommendations, if any, they wish to make.

3. BACKGROUND

3.1 The Public Sector Internal Audit Standards require the Operational Audit Manager to provide an annual report to support the Annual Governance Statement (formerly the Statement of Internal Control). The report should:

- include an opinion on the overall system of internal control;
- present a summary of the audit work on which the opinion is based;
- draw attention to any issues that may impact on the level of assurance provided;
- provide a summary of the performance for the service, and;

- comment on compliance with the Standards.

3.3 Taking into account the above requirements, an Annual Report is provided at **Appendix 1**.

3.4 The end-of-year position in relation to the delivery of the 2013/14 Internal Audit Plan is provided at **Appendix 2**.

4. **SUMMARY**

4.1 This report provides an overall statement of assurance in respect of the level of internal control and also provides a summary of the performance of Internal Audit for the financial year 2013/14.

LOCAL GOVERNMENT ACT, 1972

as amended by

THE ACCESS TO INFORMATION ACT, 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

LIST OF BACKGROUND PAPERS

AUDIT COMMITTEE

7th May 2014

Report of the Group Director for Corporate Services

Author: Marc Crumbie (Operational Audit Manager).

Item

File Ref:

5. Internal Audit Annual Report 2013/14

IA / MC

Contact Officer: Marc Crumbie,
Operational Audit Manager
Bronwydd House
Porth
CF39 9DL
Tel. No. (01443) 680779



Appendix 1

Rhondda Cynon Taf CBC
Internal Audit Service

**Internal Audit Annual
Report 2013/14**

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1. Introduction

- 1.1 This Annual Report summarises the work of Internal Audit between the period April 2013 and March 2014 and details progress made in delivering the key objectives as identified in the Internal Audit Business Plan. It highlights those areas of service across the Council where fundamental improvements in control were deemed necessary and provides an assurance statement on the overall system of internal control.
- 1.2 The opinion on the adequacy and effectiveness of internal control is used to inform and therefore should be read alongside, the Council's Annual Governance Statement.
- 1.3 The control environment comprises the organisation's policies, procedures and operations designed to:
 - Establish and monitor the achievement of the organisation's objectives.
 - Facilitate policy and decision making.
 - Ensure the economic, effective and efficient use of resources.
 - Ensure compliance with established policies, procedures, laws and regulations.
 - Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

2. Internal Audit Service – Performance 2013/14

2.1 The performance of the Internal Audit service for 2013/14 is shown in Table 1 below.

Table 1 – Internal Audit Service Performance – 2013/14

Performance Indicator	2013/14 Target	2013/14 Actual	2012/13 Actual
% Planned audits completed to report stage.	100%	80%	67%
% Audits completed within planned time.	100%	100%	100%
No. of working days from completion of fieldwork to issue of draft report	4	4	4
Average management response times (working days)	23	22	23
No. of working days from receipt of management response to issue of final report	2	2	2
Average % level of client satisfaction	96%	96%	96%
% Audit recommendations accepted	97%	99%	99%
% Audit recommendations implemented	96%	100%	100%

2.2 All but one of the performance indicators were delivered within the target set at the start of the year. The rationale for not achieving the target for ‘% Planned Audits Completed to report stage’ are provided in Sections 4, 5 and 6 of this report.

3. Planned Audit Assignments 2013/14

- 3.1 As shown in Table 1 above, Internal Audit completed 80% of planned audit work to report stage during 2013/14, which equates to 92 reviews. The remaining 23 reviews were either not completed to draft report stage by the end of March 2014 or have been cancelled.
- 3.2 The 23 reviews can be broken down as follows:
- 15 reviews carried forward into the 2014/15 Audit Plan (Table 2)
 - 8 reviews cancelled (Table 3)

Table 2 – Reviews carried forward into the Audit Plan 2014/15

Audit	Risk
AMGEN	
AMGEN - PAYROLL	High
CHIEF EXECUTIVE	
HUMAN RESOURCES	
APPLICATION OF SICKNESS ABSENCE POLICIES AND PROCEDURES	High
COMMUNITY & CHILDREN'S SERVICES	
CHILDREN'S SERVICES	
INDEPENDENT REVIEWING OFFICERS	High
CHILDREN'S DAY CARE FACILITIES	Medium
COMMISSIONING, BUSINESS & HOUSING SYSTEMS	
DIRECT PAYMENTS	Medium
COMMUNITY CARE	
FIRST RESPONSE	High
CORPORATE SERVICES	
CORPORATE ESTATES	
ASSET MANAGEMENT	Medium
CUSTOMER CARE & IT	
CORPORATE FEEDBACK SCHEME	High
EDUCATION & LIFELONG LEARNING	
RESOURCES & COMMUNITY LEARNING	
CATERING SERVICES	Medium
SCHOOL AND ACCESS & INCLUSION	
EDUCATION OTHER THAN AT SCHOOL - HOME TUITION	High
CWMBACH COMMUNITY PRIMARY SCHOOL	Low
ENVIRONMENTAL SERVICES	
ARTS & CULTURE	

INCOME MANAGEMENT - CULTURAL SERVICES	Medium
HIGHWAYS, TRANSPORTATION & STRATEGIC PROJECTS	
SKIPS & SCAFFOLDING	Medium
PUBLIC HEALTH & PROTECTION	
REGISTRATION SERVICES	Medium
STREETCARE	
WASTE MANAGEMENT	High

Table 3 – Audit reviews cancelled during 2013/14

Audit	Risk
CENTRAL SOUTH CONSORTIUM	
CSC - SYSTEMS WORK	High
COMMUNITY & CHILDREN'S SERVICES	
COMMISSIONING, BUSINESS & HOUSING SYSTEMS	
TEAM AROUND THE FAMILY (TAF)	Medium
CORPORATE SERVICES	
CORPORATE ESTATES	
CARBON REDUCTION COMMITMENT	Low
CUSTOMER CARE & IT	
PRINTING & COPYING FACILITIES	Medium
EDUCATION & LIFELONG LEARNING	
SCHOOL AND ACCESS & INCLUSION	
PURCHASE / USE OF TABLETS & iPADS	Medium
ENVIRONMENTAL SERVICES	
HIGHWAYS, TRANSPORTATION & STRATEGIC PROJECTS	
PUBLIC TRANSPORT	High
STREETCARE	
FACILITIES CLEANING	Medium
WHOLE AUTHORITY ARRANGEMENTS	
VALUE FOR MONEY	
MOBILE PHONE CONTRACTS	High

3.3 The main reasons for Internal Audit not delivering 100% of the Internal Audit Plan for 2013/14 are summarised as follows:

	PLANNED DAYS	ACTUAL DAYS
The extent of unplanned work	50	105
Time taken to investigate allegations of misappropriation	50	146
Staff sickness	70	100
Staff time invested in providing training and support to the apprentice auditor	20	120
Implementation of the new audit management system	20	50
Evidencing conformance with the public sector internal audit standards	5	25
Internal Audit charter & manual	5	20
	220	566

3.4 Whilst contingencies were included within the Internal Audit Plan 2013/14 for each of the areas summarised above, the actual number of days exceeded those planned for. This evidently impacted upon the Service's ability to deliver 100% of the annual audit plan.

3.5 8 audit assignments highlighted a fundamental requirement to improve the internal control environment and these are shown below:

- Tonypandy Community College
- Mountain Ash Comprehensive School
- School Based Counselling Grant
- Tonyrefail Comprehensive School
- Y Pant Comprehensive School
- Cynon Valley Museum
- Ysgol Gyfun Y Cymer
- Pontypridd High School

3.6 A summary of the planned audit assignments for 2013/14 is provided at Appendix 2.

4. Unplanned Audit Assignments 2013/14

4.1 During the year, Internal Audit undertook 8 unplanned assignments, which are set out in Table 4 below.

TABLE 4 - UNPLANNED WORK

	ACTUAL DAYS	REASON
School based counselling grant	2	Request from Welsh Government
Appetite for life grant	8	Request from Welsh Government
Rhondda Heritage Park	20	Requested from Audit Committee
Tonypandy Community College	8	Requested from Audit Committee
Mountain Ash Comprehensive	7	Requested from Audit Committee
Pre-employment checks	20	Requested from Audit Committee
Key measures - supporting indicators	30	Requested from Wales Audit Office
Student awards	10	Request from Welsh Government

105

4.2 Within the Audit Plan for 2013/14, 50 days were allocated as a contingency for unplanned work.

5. Special Investigations 2013/14

- 5.1 During 2013/14, Internal Audit were requested to investigate 5 allegations of misappropriation. Of those, 2 proved to be unfounded. Details of the remaining 3 are provided in Table 5 below:

TABLE 5 – SPECIAL INVESTIGATIONS DURING 2013/14

SCHOOL PRIVATE FUND - INAPPROPRIATE TRANSACTIONS

Following a comprehensive investigation by Internal Audit the matter was referred to the Police and at the time of this Annual Report, investigations are ongoing.
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ALLEGATIONS OF METAL THEFT

Following a comprehensive investigation by Internal Audit the matter was referred to the Police and the employee was subsequently charged with a criminal offence.
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SALE OF I.T EQUIPMENT

Following a comprehensive investigation by Internal Audit the matter was referred to the Police and the employee was subsequently charged with a criminal offence.
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- 5.2 Within the Operational Audit Plan for 2013/14, 50 days were allocated as a contingency for special investigations compared to 146 days actually utilised.

6. Staffing

Sickness

- 6.1 Within the Internal Audit Plan 2013/14 a contingency of 70 days was included in order to ensure that any staff absences due to sickness did not have a significant impact upon the Service's ability to deliver the planned schedule of work. A total number of 100 days was lost to staff sickness during 2013/14. All absences were managed in line with the Council's sickness absence policy.

Staff Development & Training

- 6.2 During 2013/14, Internal Audit supported 2 members of the Audit Team as they strived to gain professional qualifications (Institute of Internal Auditors and Association of Accounting Technicians). This time was planned for when compiling the 2013/14 Annual Audit Plan.
- 6.3 In addition to the training and development received via accredited learning providers, the Internal Audit Service spent 120 days providing 'on the job' training, mentoring and support to our Apprentice Auditor. The contingency allocated within the Annual Audit Plan 2013/14 was 20 days.

7. Key Objectives

7.1 During 2013/14, key objectives for the service were identified in the Internal Audit Business Plan. These are outlined below, together with how they were met or will be met in the future:

- **Maintain a high profile within the organisation that ensures Senior Management buy-in to our 'added-value' culture.**
 - In the absence of an embedded/formalised risk management framework during 2013/14, all key stakeholders were consulted during the compilation of the draft audit plan.
 - All audit reviews were 'risk scored' using the Exeter Approach as recommended by CIPFA.
 - The draft audit plan was subjected to an audit needs assessment with the Council's Section 151 Officer.
 - The draft annual audit plan was presented to Audit Committee for challenge, comment and approval.
 - The audit plan included a contingency of days for unplanned work – to reflect the changing environment of the Council and also to account for new issues to be reviewed.
- **Prioritise key actions that will allow the Council to formally demonstrate effective risk management arrangements.**
 - During 2013/14 the Council's Risk Management Strategy and Toolkit was amended and ratified by Cabinet in March 2014.
 - Further work will take place during 2014/15 aimed at formalising the Council's Strategic Risk Register in-line with the revised Strategy.
- **Plan for and procure a replacement electronic Internal Audit system that is fit for purpose and suitable to our needs in readiness for the 1st April 2014.**
 - Internal Audit procured a new electronic management system that replaced Galileo and a letter of award was issued to the successful company in September 2013. Preparatory work was undertaken between October 2013 and March 2014 in readiness for 2014/15 when the new system became fully operational and 'live'.

7.2 Moving forward

The following objectives are in place for 2014/15:

- Establish a risk-based annual audit plan that includes a balance of assurance and consultancy reviews. Contingencies will be built into the planned workloads that help to ensure the Internal Audit Service is able to respond to changes in the organisation's business, risks, operations, programs, systems, and controls throughout the year.
- Following Cabinet's approval of the Risk Management Strategy in March 2014:
 - Rollout the principles of the approved Strategy,
 - Support officers with the risk management toolkit

- Formalise the Council's Strategic Risk Register.
 - Devise and implement formal reporting arrangements.
- Embed the Annual Governance Statement Working Group into the governance arrangements of the Council, ensuring that it delivers its terms of reference and becomes an effective process of challenge and review of the Annual Governance Statement.
- Ensure evidence is available that demonstrates full conformance with the Public Sector Internal Audit Standards.

8. Compliance with the Public Sector Internal Audit Standards

- 8.1 The Public Sector Internal Audit Standards came into practice with effect from the 1st April 2013. These replaced the previous CIPFA Code of Practice for Internal Audit in Local Government 2006.
- 8.2 Within the Internal Audit Annual Audit Plan 2013/14 a total of 10 days was allocated to ensuring conformance to the Standards. On reflection, the time required to undertake this task was underestimated – a total of 45 days was spent on gathering evidence and updating the Internal Audit Charter and Manual.
- 8.3 An internal assessment of the service's conformance with the Standards took place during the year and confirmed no significant deviations from the Standards. For a small number of the standards it has proven difficult to obtain the required evidence. For example, – Attribute Standard 1200 requires audit reviews to “be performed with proficiency and due professional care”. Whilst there is no doubt that all auditors undertake their work with proficiency and due professional care, it has been difficult to provide tangible evidence to support conformance.
- 8.4 During 2014/15 the Internal Audit Service will give further consideration as to how conformance can actually be evidenced.
- 8.5 The Wales Audit Office review of Internal Audit during March 2013 also confirmed that there were no significant deviations. The Operational Audit Manager will work with WAO colleagues during 2014/15 in order to address those Standards where no evidence was available.
- 8.6 During 2014/15 the Internal Audit Service will develop its quality assurance and improvement programme further, which will include a formal report to Audit Committee with the outcome of the internal assessment undertaken.

9. Assurance Statement

- 9.1 Based on the combination of planned and unplanned assurance and consultancy work undertaken by Internal Audit during 2013/14, and also the work undertaken by the Council's key external regulators (Wales Audit Office, Estyn and the Care and Social Services Inspectorate Wales) I am able to state that, in my view, the system of internal control within the Council operated effectively during 2013/14.
- 9.2 Taking the above into account, it should be noted that the system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
- 9.3 There have been a number of service areas where weaknesses in the internal control framework have been identified following internal and external review but, in my opinion, none had a material impact on the overall level of assurance within the Council.
- 9.4 Recommendations have been made to ensure that Management will review and strengthen the control environment in those specific service areas. These areas are subject to the routine follow-up of establishing whether the recommendations have been implemented.

Marc Crumbie
Operational Audit Manager
April 2014

APPENDIX 2**A SUMMARY OF INTERNAL AUDIT'S 'ASSURANCE' WORK UNDERTAKEN DURING 2013/14****PLANNED AUDIT ASSIGNMENTS 2013/14**

CHIEF EXECUTIVE		
HUMAN RESOURCES		
SICKNESS ABSENCE POLICIES AND PROCEDURES	High	C/F 2014/15
COMMUNITY & CHILDREN'S SERVICES		
CHILDREN'S SERVICES		
INDEPENDENT REVIEWING OFFICERS	High	C/F 2014/15
SPECIAL GUARDIANSHIP ORDERS	Medium	Final Report
CHILDREN'S DAY CARE FACILITIES	Medium	C/F 2014/15
INTEGRATED FAMILY SUPPORT TEAM	High	Final Report
COMMISSIONING, BUSINESS & HOUSING SYSTEMS		
COMMUNITIES FIRST	High	Draft Report
TEAM AROUND THE FAMILY (TAF)	Medium	Cancelled
DIRECT PAYMENTS	Medium	C/F 2014/15
HOUSING ADVICE CENTRE	Medium	Final Report
PRIVATE SECTOR HOUSING GRANTS	High	Final Report
SUPPORTING PEOPLE	High	Final Report
MOBILITY SHOPS	Medium	Final Report
COMMUNITY CARE		
HOME CARE - CALL MONITORING	Medium	Draft Report
ADAPTATION & COMMUNITY EQUIPMENT	Medium	Draft Report
FIRST RESPONSE	High	C/F 2014/15
DAY CENTRE SYSTEMS REVIEW	Medium	Final Report
HEALTH & SOCIAL CARE		
ADULT PROTECTION	High	Final Report
TRANSITION PLANNING	High	Final Report

CORPORATE SERVICES		
CORPORATE ESTATES		
ASBESTOS MANAGEMENT	High	Draft Report
ASSET MANAGEMENT	Medium	C/F 2014/15
CARBON REDUCTION COMMITMENT	Low	Cancelled
CUSTOMER CARE & IT		
TELL US ONCE	Medium	Final Report
CORPORATE FEEDBACK SCHEME	High	C/F 2014/15
PRINTING & COPYING FACILITIES	Medium	Cancelled
FINANCIAL SERVICES - FINANCIAL MANAGEMENT & ACCOUNTING		
CAPITAL ACCOUNTING & ASSET REGISTER	High	Final Report
BUDGETARY CONTROL	High	Draft Report
INSURANCE	Medium	Final Report
GENERAL LEDGER & ACCOUNTING	Low	Final Report
TAXATION	High	Draft Report
ADMINISTRATION OF TRUST FUNDS	Low	Final Report
TREASURY MANAGEMENT	Medium	Draft Report
FINANCIAL SERVICES - OPERATIONAL FINANCE		
CREDITORS	High	Final Report
PAYROLL	High	Draft Report
PENSIONS	Medium	Draft Report
INCOME, DEBTORS & DEBT RECOVERY	High	Draft Report
HOUSING BENEFITS	High	Final Report
COUNCIL TAX	High	Draft Report
NDR	High	Draft Report
LEGAL & DEMOCRATIC SERVICES		
CORPORATE GOVERNANCE UNIT	High	Draft Report
PROCUREMENT		
ELECTRONIC CONTRACTS REGISTER	High	Draft Report

EDUCATION & LIFELONG LEARNING		
RESOURCES & COMMUNITY LEARNING		
CATERING SERVICES	Medium	C/F 2014/15
ADMINISTRATION OF FREE SCHOOL MEALS	High	Draft Report
AFTER SCHOOL CLUBS	High	Draft Report
CYNON VALLEY MUSEUM	Low	Final Report
SCHOOL AND ACCESS & INCLUSION		
EDUCATION OTHER THAN AT SCHOOL - HOME TUITION	High	C/F 2014/15
SAFEGUARDING	High	Draft Report
REGISTRATION	Medium	Draft Report
PURCHASE / USE OF TABLETS & IPADS	Medium	Cancelled
COMPLIANCE WITH WELSH EDUCATION GRANTS	High	Draft Report
DCELLS	High	Draft Report
FINANCIAL MANAGEMENT - PRIMARY SELF ASSESSMENT	Low	Final Report
ABERDARE TOWN C in W PRIMARY (C.Bk)	Low	Final Report
BRYNNAU PRIMARY (C.Bk)	Low	Final Report
GLAN-FFRWD INFANTS	Low	Final Report
GLAN-TAF INFANTS	Low	Final Report
GLENBOI PRIMARY	Low	Final Report
GWAUNMEISGYN PRIMARY	Low	Final Report
HENDREFORGAN PRIMARY (C.Bk)	Low	Final Report
LLWYDCOED PRIMARY (C.Bk)	Low	Draft Report
LLWYNCELYN INFANTS	Low	Final Report
OAKLANDS PRIMARY (C.Bk)	Low	Final Report
PENRHYS PRIMARY	Low	Final Report
PENYWAUN PRIMARY	Low	Final Report
RHIWGARN INFANTS	Low	Final Report
S.S.GABRIEL & RAPHAEL R.C. (C.Bk.)	Low	Final Report
TONYPANDY PRIMARY	Low	Final Report
TRALLWNG INFANTS (C.Bk.)	Low	Final Report
TREF-Y-RHYG PRIMARY (C.Bk)	Low	Final Report
TREHOPCYN PRIMARY (C.Bk)	Low	Draft Report
TREORCHY PRIMARY	Low	Final Report
TREROBART PRIMARY	Low	Draft Report
YSGOL LLANHARI	Low	Draft Report
BRYN CELYNNOG COMPREHENSIVE	High	Draft Report

CARDINAL NEWMAN R.C.COMP.	High	Draft Report
PONTYPRIDD HIGH SCHOOL	High	Final Report
PORTH COUNTY COMMUNITY SCHOOL	High	Draft Report
ST. JOHN BAPTIST C in W COMP.	High	Draft Report
YSGOL GYFUN GARTH OLWG	High	Final Report
CYMER RHONDDA, YSGOL GYFUN	High	Final Report
YNYSBOETH PRIMARY	Low	Final Report
CWMBACH COMMUNITY PRIMARY SCHOOL	Low	C/F 2014/15
SMALL GRANT CLAIM CERTIFICATIONS		
POST 16 GRANT FUNDING & COMMUNITY LEARNING	Medium	Draft Report
YOUTH SERVICE REVENUE GRANT	Low	Final Report
BREAKFAST CLUBS GRANT	Low	Final Report

ENVIRONMENTAL SERVICES		
ARTS & CULTURE		
INCOME MANAGEMENT - CULTURAL SERVICES	Medium	C/F 2014/15
HIGHWAYS, TRANSPORTATION & STRATEGIC PROJECTS		
CAPITA GLAMORGAN CONSULTANCY	High	Draft Report
PUBLIC TRANSPORT	High	Cancelled
SKIPS & SCAFFOLDING	Medium	C/F 2014/15
CAR PARKING ENFORCEMENT	Medium	Final Report
STRATEGIC PROJECTS	High	Final Report
LEISURE, PARKS & COUNTRYSIDE		
GROUNDS MAINTENANCE - SCHOOLS	Medium	Final Report
LEISURE ESTABLISHMENT REVIEW - RHONDDA	High	Final Report
LEISURE ESTABLISHMENT REVIEW - CYNON	High	Final Report
LEISURE ESTABLISHMENT REVIEW - TAF	High	Final Report
PUBLIC HEALTH & PROTECTION		
REGISTRATION SERVICES	Medium	C/F 2014/15
HOUSING TEAM	Medium	Final Report
BEREAVEMENT SERVICES	Low	Draft Report
ENVIRONMENTAL HEALTH	High	Final Report
TRADING STANDARDS	Medium	Draft Report
STREETCARE		
STREET CLEANLINESS	Medium	Draft Report
FACILITIES CLEANING	Medium	Cancelled
FLEET MANAGEMENT	High	Draft Report
WASTE MANAGEMENT	High	C/F 2014/15
OFF HIRE ARRANGEMENTS	Low	Final Report
WHOLE AUTHORITY ARRANGEMENTS		
IMPROVEMENT PLAN		
PERFORMANCE INDICATORS & OUTCOME AGREEMENTS	High	Draft Report
VALUE FOR MONEY		
MOBILE PHONE CONTRACTS	High	Cancelled

AMGEN		
AMGEN - CREDITORS	High	Final Report
AMGEN - DEBTORS	High	Draft Report
AMGEN - PAYROLL	High	C/F 2014/15
AMGEN - GENERAL LEDGER	Low	Final Report
CENTRAL SOUTH CONSORTIUM		
CSC - PAYROLL	High	Draft Report
CSC - CREDITORS	High	Draft Report
CSC - DEBTORS	High	Draft Report
CSC - GENERAL LEDGER	Low	Draft Report
CSC - SYSTEMS WORK	High	Cancelled