

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2014/15

COMMITTEE:

AUDIT COMMITTEE

16th December 2014

Item No. 4
Finalised Audit Assignments 2014/15

REPORT OF:-

GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES

Author: Marc Crumbie (Operational Audit Manager)

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1. PURPOSE OF THE REPORT

This report provides Members with a summary of audit assignments completed between 15th October – 28th November 2014.

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 In line with agreed procedures, I attach at **Appendix 1** (Page No.23) a summary of audit assignments completed between 15th October – 28th November 2014.
- 3.2 I have provided Members with the Auditor's stated opinion regarding the system or service examined and have summarised the high priority recommendations made together with the management response and the anticipated implementation date for each agreed high priority recommendation.
- 3.3 Members will note that of the 6 completed assignments, 2 resulted in at least one high priority recommendation being made.

3.4 The audit assignments summarised at **Appendix 1** are: -

CORPORATE SERVICES

- GENERAL LEDGER & ACCOUNTING
Number of Recommendations

High	Medium	Low
0	0	0

- LEGIONELLA MANAGEMENT
Number of Recommendations

High	Medium	Low
1	1	1

- TREASURY MANAGEMENT
Number of Recommendations

High	Medium	Low
0	0	0

ENVIRONMENTAL SERVICES

- FUEL MANAGEMENT & MONITORING
Number of Recommendations

High	Medium	Low
0	4	1

- ROAD SAFETY
Number of Recommendations

High	Medium	Low
0	7	1

WHOLE AUTHORITY ARRANGEMENTS

- PERFORMANCE INDICATORS
Number of Recommendations

High	Medium	Low
2	2	0

4. SUMMARY

4.1 The regular provision of all summarised audit assignments to Audit Committee throughout the year is aimed at assisting Members in evaluating the effectiveness of Internal Audit work across all Council systems and services.

4.2 In doing so, it enables Members to form an opinion on the overall control environment prior to the closure of accounts process for 2014/15.

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

16th December 2014

Report of the Group Director for Corporate & Frontline Services

Author: Marc Crumbie (Operational Audit Manager).

Item	File Ref:
4. Finalised Audit Assignments 2014/15	IA / MC

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FINALISED AUDIT ASSIGNMENTS

CORPORATE SERVICES
GENERAL LEDGER & ACCOUNTING
Date: 06/11/2014
<p>INTRODUCTION</p> <p>The management and control of the Council's General Ledger is undertaken by the Corporate Services Group (Finance Division). The purpose of the General Ledger system is to record all financial transactions and provide basic information for the preparation of Management Accounts, Final Accounts and Financial Returns.</p> <p>In order to maintain proper financial control and protect the integrity of the General Ledger, it is essential that adequate accounting routines are in operation.</p>
<p>AUDIT OPINION</p> <p>Overall the control environment for the General Ledger and Accounting framework is considered effective with Civica Financials being used, a system which meets statutory, management accounting and reporting requirements.</p> <p>Civica Financials is able to provide revenue, capital, pension fund, trust funds and joint committee accounts as required by statute. Following approval of the budget by Council, Civica Financials was updated to enable accurate budget monitoring to take place.</p> <p>The values of all balance sheet items had been correctly carried forward from 2013/14 into 2014/15 to ensure the information held in Civica Financials can be relied upon as being correct.</p> <p>Ledger input/output is controlled, secure, timely and appropriate to the needs of all users. In particular, Feeders, Journal Transfers, Virements and changes to the overall structure of the system are promptly and accurately actioned by officers with delegated responsibility and evidence to support these transactions is retained.</p> <p>In addition to the above, all transactions in Civica Financials have an Audit trail, which highlights a unique reference number, the date/time, and the identity of the individual who carried out the transaction.</p> <p>Civica Financials is able to apply its own validity tests on data received from feeder systems to ensure codings are correct. All invalid codes entered into Civica Financials are promptly investigated and rectified from suspense codes by authorised officers to ensure that the budgetary information in the system is accurate and up to date.</p> <p>No High Priority Recommendations Made</p>

LEGIONELLA MANAGEMENT

Date: 15/10/2014

INTRODUCTION

Legionnaires Disease is a potentially fatal form of pneumonia, caused by the bacterium Legionella Pneumophila. Outbreaks can occur when people are exposed to the bacteria via inhalation of water droplets suspended in the air.

While common in natural water sources such as rivers, lakes and reservoirs, the bacteria can also be found in purpose-built environments such as cooling towers, evaporative condensers and hot water systems. Growth of the bacteria is encouraged where the temperature is maintained between 20-45°C and/or there is stored/re-circulated water.

The Corporate Estates department are responsible for ensuring there are measures to prevent and control the risk of exposure to Legionella in all Council buildings.

AUDIT OPINION

The audit review concludes that the arrangements in respect of Legionella Management across Council buildings are effective with opportunity for improvement.

The Corporate Maintenance Team utilise a web-based system to document and monitor all risk assessments undertaken, and to assist in the scheduling of future visits. The system has recently been amended to allow the risk assessment cycle to be tailored on an individual building basis, rather than the uniform bi-annual review that previous legislation recommended. The review identified some minor 'housekeeping' issues with the system in relation to the updating of recent risk assessments undertaken, and the attachment of associated documentation, but these are not considered indicative of the overall control environment.

Given that the frequency of future risk assessments can now be determined by the Corporate Maintenance Team, the report recommends that Management develop a framework to assist in the allocation of a review cycle. This will facilitate and document the decision making process, and demonstrate that all buildings have been consistently assessed.

Ten Council buildings were visited during audit fieldwork, and their respective Legionella Management log books examined. The application of recommended monitoring regimes was, on the whole, inconsistent. Two of the sites had no records at all and it was apparent from Contractor Service documentation that this has been the case for several years. Five further sites had well established monitoring procedures, but there were occasions where records were incomplete, missing or out-of-date. Good practice, with all records completed on a regular basis, was evident in three of the sites visited.

The recent appointment of a new Contractor will mean that all Council buildings will be provided with new documentation to complete when undertaking their checks. This should give the Corporate Maintenance Team the opportunity to reiterate to all those responsible for Legionella Management the importance of implementing and documenting the recommended monitoring regime. The Team should also consider an appropriate mechanism for reporting any examples of non-compliance to Senior Management in an effort to escalate the issue and promote the importance of all necessary checks being undertaken.

Ref. No.	High Priority Audit Recommendations made & Agreed by Management	Agreed Implementation Date
5.2.1	<p>AGREED RECOMMENDATION The Corporate Maintenance Team should reiterate to all relevant staff that the weekly/monthly temperature and flushing checks must be completed and evidenced via the log book that has been provided to all Council Buildings.</p> <p>Management should establish a mechanism to report and escalate any identified non-compliance to the relevant Service area.</p> <p>MANAGEMENT RESPONSE Agreed. A process has been identified, presented and agreed with the Legionella contractor. Where sites fail to comply with the flushing, temperature monitoring and recording requirements, the Contractor will provide a monthly report listing the sites for the Corporate Maintenance Team to action. The Corporate Maintenance Team will address the failing directly with the building manager. Should a further failing occur this will be highlighted to the appropriate Service Director responsible for the building.</p>	Implemented

TREASURY MANAGEMENT

Date: 28/10/2014

INTRODUCTION

The Treasury Management Team undertakes the management and control of the Council's borrowing and investment function, a service provided by the Corporate Services Group (Finance Division).

The role of the team, led by the Investment Manager, is to effectively manage all money in connection with the cash and funding resources of the Council. This also includes money held by Schools under Local Management of School arrangements, Amgen Cynon and Amgen Rhondda but excludes the management of Superannuation Fund monies, apart from temporary cash surpluses. Effective management and control of risk is therefore the prime objective of Treasury Management activities.

AUDIT OPINION

Overall, the control environment surrounding Treasury Management is considered effective.

At the Full Council meeting held on the 26th March 2014, Members approved the Treasury Management Strategy, Investment Strategy, Prudential and Treasury Indicators and the Minimum Revenue Provision.

On the 23rd July 2014, Council received information on Treasury Management activity during 2013/14 and the actual Prudential and Treasury Indicators for 2013/14.

The process developed to manage the Council's investments and borrowing is considered robust and effective.

For the sample selected it was established that low risk investments had been placed with either the Debt Management Office or other Public Bodies, which was in line with the Treasury Management Strategy and all had been correctly authorised by a senior member of staff, based on the funds available each day.

To date the Council has not taken out any new loans in 2014/15.

No High Priority Recommendations Made

ENVIRONMENTAL SERVICES

FUEL MANAGEMENT & MONITORING

Date: 10/11/2014

INTRODUCTION

The Fleet Manager purchases fuel in bulk from the contractors appointed via the All Wales framework contract and issues it through the pumps based at Council depots / sites.

The Fleet Manager re-charges Service Areas for fuel drawn, with the operational control / monitoring being exercised under the governance of the relevant Service Manager.

Fuel may also be purchased from commercial garages in circumstances where it may be impractical to access a Council pump; a Council Purchase Card should be used in these circumstances.

Fuel issued via Council pumps is controlled by a 'Dual Key' system which identifies both the vehicle used and the Officer who draws the fuel.

Fuel is regularly drawn for use of plant / machinery, in which case the Dual Key system has to be supported by an additional audit trail.

AUDIT OPINION

Overall, the control environment in relation to the management of fuel is considered to be effective with opportunity for improvement.

The Procurement Section has awarded a contract to fuel suppliers to provide fuel (Diesel, Gasoil, Unleaded Petrol) to the 5 Council Depots. The rates paid for these fuels are competitive, and fuelling up Council vehicles at Council depots increases the level of management controls, as well as providing value for money.

The Fleet Manager is responsible for ensuring that all fuel pumps have fuel available and that the keys in use are controlled and that prompt and accurate recharging takes place on a monthly basis to Service Managers.

Ultimately all Service Managers are responsible for the fuel their Vehicles and Plant are obtaining from Council depots and should circumstances require, Private Retailers.

The monthly invoices and supporting reports sent to Service Managers by the Fleet Manager contains limited management information to enable them to monitor fuel drawn. The invoices / reports only contain the vehicle registration number, fuel drawn date, type of fuel drawn, amount drawn and the personal key used. To monitor and compare fuel drawn Service Managers should develop their own techniques / spreadsheets to highlight issues, such as high levels of fuel being drawn, and low miles per gallon obtained by vehicles. Alternatively, the Council may choose to upgrade the current fuel system so that monitoring features are enhanced.

Gasoil and unleaded petrol is often drawn and placed into cans for use in plant / machinery. Whilst the Fleet Manager has issued instructions to Service Managers to maintain stock records, they have not been introduced into all areas and where they have been they contain limited information.

The implementation of the recommendations made within the Audit Report will enable the Fleet Manager and Service Managers to enhance the standard of review and challenge surrounding all Fuel drawn and used.

No High Priority Recommendations Made

ROAD SAFETY

Date: 29/10/2014

INTRODUCTION

The Road Safety Unit, within the Highways, Transportation and Strategic Projects Division, is responsible for the management of the School Crossing Patrol Service. The Service currently has 65 permanent School Crossing Patrols at locations across Rhondda Cynon Taf. The presence of patrols is not a statutory requirement, and as such, the Council uses its discretion in respect of provision.

Analysis of patrols is undertaken using the nationally approved PV2 formula, which considers the number of pedestrians and vehicles passing the crossing point, at the busiest times of the day. National guidelines advise that where a PV2 score greater than 4 million is achieved, a School Crossing Patrol can be justified.

A report recommending that all School Crossing Patrol locations are reviewed every two years, using the PV2 site assessment criteria, was agreed by Cabinet in January 2014.

AUDIT OPINION

The audit review concludes that the operation of the School Crossing Patrol service by the Road Safety Team is effective with opportunity for improvement. A report was presented to Cabinet in January 2014 seeking approval for the introduction of a School Crossing Patrol Policy, as well as site assessment criteria to facilitate the establishment and disestablishment of sites. The Road Safety Team is yet to have commenced the task of reviewing all locations as agreed. This Internal Audit report recommends that the Team schedule the exercise to visit all sites as soon as possible, using the PV2 formula in line with the agreed policy. It is also recommended that the process of risk assessing all sites should be co-ordinated with the PV2 calculation visits, to ensure that staff resources are deployed efficiently.

Information relating to the previous PV2 counts and risk assessments undertaken during 2012 was largely retained and available for examination. The level of detail captured in respect of the count should be enhanced for all future assessments, given that the agreed policy is to use the count as a basis to inform the establishment, disestablishment or retention of School Crossing Patrols in future.

While sample testing identified that full completion of risk assessment pro-formas (for the exercise in 2012) was, on occasion, inconsistent, the procedure of assessing locations is evidently embedded. Given that the form has been in place for several years, it is an opportune time to review the content to ensure that the form is fit for purpose and captures relevant information for Management. Incorporating provision to document parking enforcement issues, for example, would provide a referral mechanism to colleagues in Parking Services and ultimately, could contribute to the safety of the environments in which School Crossing Patrols are situated.

The report also contains recommendations in respect of the School Crossing Patrol service structure on the Council's Vision system. There are currently 40 vacant posts, many of which relate to Schools which are no longer open or have relocated. The Team should seek to confirm the status of each location and disestablish them on this basis alone, or if necessary in conjunction with PV2 counts in line with the agreed policy. This exercise, coupled with a need to undertake 'housekeeping' of the accuracy of post locations and the staff occupying them, should ensure the Vision system wholly reflects the Service going forward.

A need to formalise the arrangements for unpaid leave was identified during the review. The Road Safety Manager has experienced inconsistencies in the format and timeliness of requests from staff, with some notification only being received retrospectively. Management should liaise with Human Resources in order to formalise advice for Staff who are seeking time off from their duties and to seek confirmation of the manner in which requests should be received and authorised.

No High Priority Recommendations Made

WHOLE AUTHORITY ARRANGEMENTS

PERFORMANCE INDICATORS

Date: 15/10/2014

INTRODUCTION

The Council regularly measures the performance of its service delivery across all its service areas, using a combination of nationally / locally defined Performance Indicators (PIs). PIs are measured against agreed targets, and the results are placed in the public domain.

This framework of performance information provides the primary intelligence to enable the Council to manage performance against key strategic priorities, service / policy objectives and also local priorities specific to the needs of Rhondda Cynon Taf. Key indicators are also used for comparison purposes with other Councils.

Each PI has been assigned a PI owner who is responsible for declaring the methodology and accuracy of the calculation via the pro-forma Self Assessment Form. The in-year production and review of this performance information is the key tool that enables service managers to manage their service. PI owners are supported by the Corporate Performance Team based in the Finance Division, within the Corporate Services Group.

AUDIT OPINION

Overall the control environment in relation to the Council's PIs is improving and is considered effective with opportunity for improvement.

Assurance can be given that those PIs that have appropriate definitions and methodologies have been consistently implemented in line with the aims of those definitions and methodologies. Supporting data was available in most cases and reliance may be placed on the calculations for 10 of the 12 PIs examined.

Issues have been identified in terms of a lack of routine data quality monitoring that should be addressed from this point forward. Introducing quality assurance processes will ensure the processes for monitoring and reporting of PIs is robust along with ensuring that the data reported is accurate and substantiated with adequate information.

A key control for management moving forward will be the role of the Corporate Performance Team in terms of establishing a robust system of monitoring compliance with expected standards. This includes ensuring all documentation is fully complete and also establishing routine data quality checks.

In forming our opinion for each PI we have reviewed the whole process commencing with establishing a definition, target setting and collating the data.

Recommendations have been made within the report that will make the whole process more robust and subsequently enable management to place a higher level of assurance on the data being reported from the systems in place within the Corporate Performance Team.

Ref. No.	High Priority Audit Recommendations made & Agreed by Management	Agreed Implementation Date
5.1.1	<p>AGREED RECOMMENDATION The Performance Management Service should implement a risk based rolling programme to sample check Performance Indicators throughout the Council. This should help to ensure that reliance can be placed on the Performance Indicators on an ongoing basis throughout the year and not just when internally and externally audited.</p> <p>MANAGEMENT RESPONSE Agreed. A risk based rolling programme to sample check indicators throughout the Council is in the process of being implemented, with some checks already undertaken. The Performance Management Service will meet regularly to establish progress and future steps.</p>	Implemented & Ongoing
5.1.2	<p>AGREED RECOMMENDATION Management must ensure that the figure reported for each performance indicator is supported by the source data. The source data must be challenged and reviewed prior to figures being reported publically.</p> <p>MANAGEMENT RESPONSE Agreed. The specific queries raised in the report have been addressed with the relevant owners for each PI. The risk based rolling programme will provide further assurance that each indicator has been reported appropriately.</p>	Implemented