

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

4th October 2012

REPORT OF THE ASSISTANT CHIEF EXECUTIVE - PERFORMANCE

COMPLETED AUDITS

1. Purpose of Report.

1.1. To summarise for members the findings of the audits recently completed by the Internal Audit Division.

2. Connection to Corporate Improvement Objectives / Other Corporate Priority.

2.1. Internal Audit's work impacts on the Corporate Improvement Objectives/other corporate priorities.

3. Background

3.1. Internal Audit conducts reviews according to an annual audit plan and reports findings to Audit Committee.

4. Current situation / proposal.

4.1. Recently completed audits are summarised in the following table:

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
Open Contractor	This is an IT application used by Building Maintenance and Highways to manage jobs, orders, stores and supplier payments.	April 2012	23 days	Strengths include business continuity, an important aspect of the service to ensure provision of service. Recommendations were made to review security profiles, including enquiry only access, and to assess the potential of improved activity logs.	Reasonable	April – August 2012.
Physical Regeneration Projects	Physical Regeneration Projects are designed to act as an impetus to achieve growth and regeneration within BCBC.	2 May 2012	16 days	The review of the risk assessment and project management was being undertaken using the BCBC project toolkit. Only minor issues were identified.	Substantial	N/A
Building Control	The service inspects plans and work undertaken by the public to ensure new buildings and alterations are structurally safe to use. The private sector completes for this work.	June 2012	26 days	Key controls are in place including publication of fees, timely decisions and costs are covered by the service. A recommendation was made to review fees charged under the Partner Authority Scheme where two councils work on the same scheme.	Substantial	August 2012
Car Park Income	BCBC operates 11 pay and display car parks generating some £1.2m of revenue. The facility to pay via mobile phone has been introduced	July 2012	27 days	Cash collection and sales of season tickets are generally well managed and enforcement of payment is evident. Recommendations were made to	Reasonable	July 2012 – April 2013

	using a third party provider.			improve controls over staff passes which will be implemented when new management arrangements are introduced in 2013. The pay by phone system will need to be monitored including the 3 rd party provision of service.		
Commissioning	The commissioning of children' services is a significant Council activity with a total contract value of £19,994,728 for all commissioning by BCBC on behalf of children and young people in 2010/11. The area has seen a strategic change in recent years with a project team established and a new strategy, toolkit and commissioning model have been developed to facilitate provision.	May 2012	24 days	<ul style="list-style-type: none"> The project team have developed a comprehensive toolkit to facilitate the commissioning of children's services using the outcomes based approach. Training has already been delivered to a number of commissioners and external partners <p>However:</p> <ul style="list-style-type: none"> The toolkit represents a considerable shift away from the old approach to commissioning therefore continued support from the project team will be required, along with visible support from management. There is currently no central monitoring of commissioning performance in the Children's directorate, to ensure services are being adequately commissioned to meet the priorities of the directorate 	Reasonable	September 2012
Corporate Governance Arrangements	A review to identify processes and policies within BCBC that	June 2012	25 days	<ul style="list-style-type: none"> The Authority has developed and adopted a Code of Corporate Governance. This is significant in creating a 	Substantial	N/A

	demonstrate consistency with the Code of Corporate Governance and therefore with the CIPFA (SOLACE) framework on good governance.			<p>framework which enables the Council to demonstrate its achievements and maintain a high standard of good corporate governance.</p> <ul style="list-style-type: none"> The Council has a framework of corporate strategic and operational documents, many of which are interconnected and ensure that the fundamental principals of good governance are achievable. <p>No key issues were identified.</p>		
Payroll	<p>The Payroll Transactional team administered payments in excess of £140m to nearly 7500 employees (including teachers) in 2011/12.</p> <p>This review focused on a few key areas, namely:</p> <ul style="list-style-type: none"> Analysis of overpayments since April 2011, Review of timesheet controls in key areas. Roll out of electronic payslips. Controls regarding starters and leavers. 	June 2012	20 days	<p>No significant issues were identified during the audit. A number of minor recommendations were made with regard to:</p> <ul style="list-style-type: none"> Improving systems for the recovery of overpayments especially where the individual remains an employee of the Authority. Retaining copies of ID on file for new starters (though it should be noted that a significant improvement has been made since the last audit). Improving communication when rolling out corporate changes such as electronic payslips. 	Reasonable	September 2012
Taxation	The Taxation section is	April 2012	20 days	Strengths identified include:	Reasonable	April 2012

	<p>responsible for the collection of over £53m in council tax and over £40M in business rates from 61,000 and 4,000 customers respectively.</p> <p>A Control Risk Self Assessment (CRSA) was issued to and completed by the Taxation Manager in conjunction with audit. Testing focused on any concerns raised from the assessment.</p>			<ul style="list-style-type: none"> • A consistent collection rate in the region of 96%. • Valuation updates actioned promptly and accurately. • Prompt reconciliation of the valuation listing to the property database. <p>A key issue identified during the audit was the lack of resources in the Systems Team having an impact on the clearing of items in the suspense account and provision of the necessary systems support if needed. Management has since provided assurance that this issue has been addressed and arrangements have been put in place.</p>		
Creditors	<p>The creditor payments system is a devolved function that is centrally co-coordinated by the Exchequer Section. The audit focused on key controls in the central function and sample testing in a number of directorates.</p>	June 2012	22 days	<p>A number of strengths and areas of good practice were identified:</p> <ul style="list-style-type: none"> • The use of software to identify duplicate payments. • A further software application to ensure the validity of bank details in order to reduce payment delays due to BACS rejections. • Provision of training across the directorates and schools following new initiatives. <p>Only one key issue was identified, namely the control and monitoring of payments made via Sundry creditor accounts. Since the audit, actions have already commenced to minimise the use of such</p>	Substantial	June 2012

				accounts.		
Sundry Debtors	The debtors system is a devolved function that is centrally co-coordinated by the Sundry Debtors. The audit focused on key controls in the central function and sample testing in a number of departments.	July 2012	20 days	<p>In the majority of service areas visited, no significant issues were identified in respect of raising invoices and credit notes. Invoices were seen to be raised in a timely manner, containing accurate information and correct charges. Credit notes were supported by authorised proformas and had been raised for appropriate reasons.</p> <p>However, it was not possible to carry out audit analysis of write-offs as ICT were unable to provide the relevant report, despite this being available in previous years.</p> <p>It was also noted that invoices have been raised by Wellbeing for significant amounts, which are now in dispute and may not be paid. It is felt that all issues regarding potential liability for debts should be fully resolved before such significant invoices are raised.</p>	Reasonable	July 2012
Leaving Care	The primary role of the Aftercare Team is to assist children that the Authority has a legal obligation to look after in the transition into adulthood and independent living.	June 2012	27 days	<p>The service is to be commended on its positive and caring approach to clients, having excellent communication amongst team members on all levels and making good progress in relation to the collaborative working program to establish positive training opportunities for young people.</p> <p>Improvements need to be made in relation to the updating and</p>	Reasonable	August 2012

				dissemination of financial procedures and introducing a procedure for payments to clients attending University ensure consistency.		
Establishments Assurance	The Authority operates in excess of 30 establishments across the county borough covering a range of service areas. The establishments are subject to review by bodies such as the CSSIW, BCBC Members, BCBC H&S, statutory visits carried out by independent officers within BCBC etc. On an annual basis Internal Audit reviews the work carried out by the above inspection bodies in order to assess the reliance that can be placed upon them.	September 2012	10 days	<p>It was pleasing to note that recommendations made in the previous audit regarding Health and Safety questionnaires and central monitoring of key issues arising from CSSIW reports in Adults Services have been addressed.</p> <p>During this review only minor issues were identified such as keeping a central record of H&S assessments so that patterns of failure can be identified and action taken. Likewise common issues identified though Safeguarding visits should be logged to identify if there is a staff training issue.</p>	Reasonable	October 2012
Home to School Transport	Home to School Transport is administered by the staff of the Integrated Transport Unit. Their role includes: <ul style="list-style-type: none"> liaising with the Children's Services Directorate, regarding requirements; 	June 2012	22 days	<p>The section benefits from the experience and broad background knowledge of the Transport Officers. However, over reliance is often placed on this.</p> <p>The key issues identified include:</p> <ul style="list-style-type: none"> Problems with the confirmation and follow up of insurance renewals for the contractors. The lack of timely reminders and 	Limited	November 2012

	<ul style="list-style-type: none"> • taking part in the tender evaluation process; • arranging temporary school transport at short notice; • ensuring that enhanced CRB checks are performed and renewed; • maintaining a database of the insurance renewal dates; • Maintaining training records for drivers and escorts; • Monitoring contractors' performance and compliance. 			<p>follow up of CRB renewals.</p> <ul style="list-style-type: none"> • The absence of service level agreements with the client directorates resulting in a lack of defined roles and responsibilities. <p>At the time of the audit the Integrated Transport Unit was currently operating without a replacement for the former School Transport Manager and had also undergone structural changes at management level. In the interim the section appeared to be operating without a formal hierarchy for decision making at an operational level. Reliance was placed on the experience and initiative of the senior staff of the unit.</p>		
Education Grants (DCELLS, Foundation Phase, Breakfast Club)	On an annual basis audit reviews are undertaken of a number of educational grants as part of the terms and conditions set out by the Welsh Government.	August 2012	8 days	<p>The grants were reviewed in order to ensure their use complied with the terms and conditions set out by WG. For all of the grants reviewed, it was established that there were strong systems of control in place including with robust system for monitoring of money held centrally and ensuring expenditure was in line with the T&C's.</p> <p>No significant issues were identified.</p>	All Substantial	N/A
Building Cleaning	Building Cleaning	September	17 days	Generally, the service is well organised and managed with	Reasonable	December

	Services (BCS) provides cleaning services for all departments within the Authority. The service is also available to schools who have the option to procure their Building Cleaning from the Authority.	2012		comprehensive record keeping and excellent communication with staff. It continually operates within its budget. The key issues were identified were: <ul style="list-style-type: none"> • CRB's checks were identified out of date with management unaware of their responsibility for rechecks. However, once aware of the situation, management immediately took action to instigate the rechecks. • The lack of a lone working procedure. Again the finding was immediately acted upon with the involvement of the Health and Safety department. 		2012
Treasury Management	Treasury Management is the Authority's handling of financial matters through the effective management of its cash flows, its banking, money market and capital market transactions and the complex strategies, policies, and procedures of corporate finance	April 2012	5 days	This audit concentrated on testing authorised delegation and segregation of duties, on-line banking and bank statement reconciliation. Good practice was identified in all areas and no key issues were identified.	Substantial	n/a
Main Accounting	The objectives of the audit were to identify and assess the operation of controls over the integrity of the Council's	July 2012	10 days	During the Audit a number of strengths and areas of good practice were identified as follows: <ul style="list-style-type: none"> • The CRSA Response 	Substantial	n/a

	main accounting function and general ledger. This was undertaken by using the responses to a controlled risk self assessment questionnaire (CRSA) and some testing.			<p>indicates that controls are well embedded with 100% of answers received being positive.</p> <ul style="list-style-type: none"> • Budget Information was disseminated appropriately and was found to be accurate to the financial system. • Initial budgets were accurately set up on the financial system and subsequent amendments were controlled 		
Residential Care	<p>The Residential Care and Home Care services are currently under going change and the Council is moving towards a service model that helps service users to maintain or regain their independence.</p> <p>This audit reviewed a number of areas including roles and responsibilities of project and programme boards; the impact of the decision to reconsider the procurement of partner organisations to manage aspects of the Residential and Home</p>	April 2012	20 days	<p>Audit strengths and areas of good practice were identified as follows: an effective Programme and Project Board was in place with a good level of senior management support; savings had been identified and initiatives implemented; projects were found to comply with the direction of the Adult Social Care Commissioning Plan 2010-20; information presented to Cabinet has been comprehensive allowing members to make informed decisions and financial monitoring controls were found to be in place and effective</p> <p>There were no key issues or control weaknesses identified, however, it is clear that difficult</p>	Substantial	immediate

	Care services on the medium term financial plan; decision making; the use of the BCBC Programme & Project Management Toolkit.; and the Home Care and Residential Care Payments and Budgets			political decisions will need to be made to ensure that the service is able to meet the future challenges of an increasing and ageing population set against a backdrop of tight budgetary settlements.		
Waste Disposal - Materials Recovery and Energy Centre (MREC)	BCBC has a contractual obligation to provide waste to the MREC. The objectives of the audit were to give assurance that BCBC is charged according to agreed contractual rates and to verify that data submitted to waste data flow is accurate	April 2012	6 days	During the Audit strengths and areas of good practice were identified as follows, an updated contract schedule was in place; invoice amounts were verified and payment dates complied with the contract terms and monitoring of payments was robust. However there was one key issue identified which needed to be addressed which concerned the verification of tonnage data to original information.	Reasonable	April 2012
Youth Offending Service	YOS is a multi agency team. The objective of the audit was to examine the internal control environment to ensure that the service will meet its objectives. The following areas were	April 2012	18 days	Areas of good practice were identified which included good governance arrangements with the multi agency management board; robust budgetary control; and the petty cash account was well maintained. The following key issues were	Reasonable	immediate

	<p>examined; budgetary control; compliance with BCBC policies & procedures inclusive of Financial Procedures, Contract Procedure Rules, BCBC absence management and appraisal policies; compliance with laws & regulations inclusive of the recording of assessments upon Asset and the processing of CRB checks for staff, sessional workers and volunteers; performance indicators inclusive of verification of indicators and monitoring arrangements.</p>			<p>identified. Testing indicated a small number of officers and volunteers with out of date CRB checks. The service has previously maintained its own register of CRB checks for staff but monitoring of this has lapsed. The YOS Manager has advised that the procedure will be improved to ensure no lapses occur in future. There also remains uncertainty over future funding streams which remain a key risk for the service.</p>		
<p>Section 106 Agreements</p>	<p>Section 106 agreements are increasingly used to support the provision of services and infrastructure, such as highways, recreational facilities, education, health and affordable housing. The objective of the audit was to ensure there is an adequate control system in place for the management of</p>	<p>August 2012</p>	<p>13 days</p>	<p>A corporate record of Section 106 agreements exists and is regularly monitored and updated; Directorates receive notification of planning applications that may have a requirement for a Section 106 agreement, there is integration with the Capital Programme and trigger points are monitored.</p> <p>It was identified that contributions owed to the authority should be</p>	<p>Reasonable</p>	<p>August 2012</p>

	Section 106 agreements. The areas examined included the documentation and maintenance of a Section 106 agreements register; contribution management, the monitoring of agreements and receipt and use of funds.			evidenced as being followed up with the developer and S106 Agreements should include an expiry date if possible in order to mitigate any risk of claw back if the funding is unused for 5 years.		
Initial Building Maintenance Follow Up	An audit of this area in 2011/12 identified a number of weaknesses. The focus of this review was to assess the progress made and give further advice on the new proposals. A full follow up audit is due during Qtr 3 of 2012/13 to assess whether the recommendations made have been implemented and controls fully embedded.	June 2012	12 days	Solutions to issues are being identified and formal training has been given to management on procurement and delegated powers. Key control issues are being addressed and therefore reasonable progress is being made. However, newly developed controls have not had time to bed in due to the timing of the follow up. Therefore, only limited assurance can be given until such time as these controls are operational which should be evident at our next review in October/November.	Limited	On-going

4.2 Members are invited to raise any issues on these audits or to request the production of a fuller report at the next meeting.

5. Effect upon Policy Framework & Procedure Rules.

5.1. None

6. Equality Impact Assessment.

6.1 There are no equality issues.

7. Financial Implications.

7.1. None

8. Recommendation.

8.1. That Members give due consideration to the completed audits report to ensure that all aspects of their core functions are being adequately reported.

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Background documents

Internal Audit reports relating to the above audits held within the Internal Audit Division