

Audit Committee – 2 September 2009

Submission of Internal Audit Reports For Scrutiny

Summary of report:

This report presents the two reports selected for scrutiny at the Audit Committee meeting on the 25 June 2009.

Background papers:

Internal audit reports/files/working papers.

Recommendation:

1. To note the contents of the report.



James Walsh – Assistant Director – Finance (CFO)

14 August 2009

Resource and legal considerations:

The cost of providing internal audit is charged to services based on audit activity. These projects were included within the annual risk assessed audit programme discussed with managers before the start of the respective financial year.

Citizen impact:

Report scrutiny assists in demonstrating that the council and its officers are protected and provides an assurance to stakeholders about the security of the council's operations.

Performance and risk management issues:

Many Audit Committee activities are an important and integral part of the council's performance/risk management and corporate governance frameworks. In selecting specific reports for detailed scrutiny the committee is able to ensure that operational and control issues are being dealt with appropriately and that managers' agreed actions are being implemented. The committee may seek explanation from managers failing to progress agreed actions.

Equality Implications:

None arising from this report

Consultation:

The annual audit work programme was discussed with relevant senior managers before the start of the year. Following completion of each audit review, the auditee's agreement to implement the agreed actions was sought before issuing the final report. Shortly afterwards, the relevant manager was asked to formally confirm that the agreed actions had been implemented.

Author:

David Blacker – Chief Internal Auditor

☎ 01922 652831

✉ blackerd@walsall.gov.uk

SUMMARY OF REPORTS SELECTED FOR SCRUTINY

Catering Establishment

An audit review of catering service (catering establishment) was undertaken as part of the 2008/09 annual internal audit plan.

The catering service provides catering to 84 primary schools, 8 secondary schools, the town hall restaurant and engineers' canteen. It also provides vending machines and catering, including buffets and refreshments, to the council. The service has a total of 420 staff serving on average 10,000 meals per day. The service has an annual turnover of approximately £5million.

During March 2008 the area supervisor informed internal audit that a £60 under banking had been identified at a primary school. This issue was also examined during the course of this review.

The objectives of the audit were to assess and seek assurance regarding the adequacy of controls governing financial and management arrangements and to assess the implementation of previously agreed audit report actions.

The conclusions detailed within the final report detailed at **Appendix 1** were that: Internal audit is able to give an overall limited assurance opinion on the system of internal control operating within the catering establishment

Some good practices were noted during the audit, including, the implementation of a new procurement process, the completion of health and safety action plans and a rolling training programme for all kitchen staff for manual handling and heavy equipment. A number of areas for improvement have, however, been identified, including, the tightening of controls regarding stocks, procurement, the receipt, banking and monitoring of income, and petty cash.

A total of 56 actions for improvement were detailed as part of the review with 16 being at high priority. In discussing the actions with the operations manager on the 5 August

2009, she advised that significant progress had been made against actions since the original audit review. During this discussion it was agreed that a small number of minor amendments should be made to the original report to more accurately reflect progress towards implementing the agreed actions. These were reflected in the revised audit report issued on 6 August 2009 attached as an Appendix 1 to this report. Of the 56 actions for improvement originally made, 43 have now been fully implemented, 12 were not yet due for implementation and 1 low priority action was not agreed due to resource constraints.

To comply with data protection requirements, an employee's job title and the name of the school have been redacted from the report.

Leighswood Children's Centre

An audit review of the contractor's final account for Leighswood Children's Centre was undertaken during August 2008 as part of the annual audit plan. The examination was performed in accordance with the requirements of financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:

- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
- All appropriate documentation has been obtained from the contractor and a suitable contract created,
- The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
- All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.

The conclusions detailed within the final report detailed at **Appendix 2** were that:

Internal audit is able to give a no assurance opinion on the system of internal control operating within the contractor's final account for Leighswood Children's Centre.

Some good practices were noted during the audit, including; the use of a tender registration form, evidencing and pricing of all valuations and provision of a quantity surveyor's final account. A number of areas for improvement have been identified, including;

- need to obtain authority to procure or to accept the tender,
- failure to appoint the contractor within the time that his tender is valid,
- failure to provide a surety,
- failure to evidence insurance cover,

- lack of race relations, health and safety or contract design and management (CDM) documentation,
- failure to execute the contract under seal, and
- failure to provide a timely agreed final account.

Twenty actions were agreed as part of the review including 18 at high priority.

In discussing with the head of property services the issues raised within these and other recent final account reports, he advised that arrangements are much improved and all agreed actions are now fully taken into account in awarding work to contractors and monitoring contracts' progress.'