

Audit Committee – 3 March 2008

Internal Audit Activity for the Nine Months Ending 31 December 2007

Summary of report

This report presents internal audit's activity for the nine months ending 31 December 2007, outlining ongoing and completed work and providing performance information.

Recommendations

1. To note that as at quarter 3 of 2007/8 internal audit had delivered on all of its performance targets, maintaining a high level of overall performance for the year.
2. To select for detailed scrutiny, a sample of completed audit reports from the list at Appendix 4.



James Walsh – Assistant Director of Finance (CFO)

21 February 2008

Governance issues

The Audit Committee's activities include ensuring that an effective internal control environment is maintained and regular and ongoing scrutiny of internal audit work. This report supports the committee in exercising that role.

The Accounts & Audit Regulations 2003, as amended by the 2006 regulations, require councils to maintain an adequate and effective system of internal audit of accounting records and system of internal control in accordance with proper practices in relation to internal control. Under s151 of the Local Government Act 1972, the Council has designated the assistant director of finance as the chief finance officer, who is responsible for making arrangements for the proper administration of the Council's financial affairs.

Resource and legal considerations

The cost of providing internal audit is fully charged to services based on audit activity.

Citizen impact

Internal audit work is intended to ensure that effective systems of internal control are in place. This protects the Council and its officers and provides an assurance to stakeholders regarding the security of our operations.

Performance management and risk management Issues

Many Audit Committee activities are an important and integral part of the Council's performance management and corporate governance frameworks. The internal audit strategic plan is risk assessed to ensure areas most at risk are examined as a priority. **Appendix 5** shows quality targets and performance indicators (PIs); summarised below.

Quality Targets/PIs (e.g. Response Time)	% Target	% Achieved 2007/08	% Achieved 2006/07
Audits completed within planned time	95	96	96
Spending within budget	100	100	100
Productivity rate	65	Est 65	73.1
Audit plan achievement	95	Est 95	96.0
Report issued within 10 working days of exit meeting	80	83	84
Recommendations agreed	95	99	98
Returned customer questionnaires to show satisfaction	95	100	100
Overall perception of service quality from Council wide corporate services' survey	95	-	96

As at 31 December 2007, the service had delivered in all of its performance targets, maintaining a high level of overall performance for the year.

On completion of an audit review, an action plan is agreed with the relevant directorate manager who is then responsible for ensuring its implementation. A level of 74% and 79% respectively has been achieved in each of the last 2 years against a target of 95%.

The current year's level is presently recorded at 74% as detailed within Appendix 4. As previously reported the payroll report accounts for the majority of the shortfall and the Assistant Director has taken steps to closely monitor managers' progress with the required actions. The overall level of achievement against this target is anticipated to improve by the year end.

Implementation of agreed actions is a directorate manager's responsibility, and it is important that agreed actions are promptly dealt with by accountable managers as this helps to secure and strengthen the internal control environment. In order to assist with performance improvement in this area, an audit follow up process is in place which is briefly described as follows:

- Internal audit advise all managers subject to audit review that failure to implement agreed actions may result in their being called to the Audit Committee to provide explanation.
- Within a short period of completing the review, formal confirmation is sought from the manager that agreed actions contained within the audit report action plan have been implemented. This will require, without exception, formal responses to be received from a manager to confirm actions taken.

- A schedule of audit jobs and actions agreed and confirmed as implemented is presented quarterly to executive directors.
- The schedule now appears on directorate leadership team agendas and executive directors seek formal confirmation from their managers that agreed actions have been progressed by the agreed dates, and that their managers have formally responded to audit correspondence.
- For Annual Governance Statement (AGS) purposes executive and assistant directors will be required to sign and return their schedule to internal audit confirming that managers had taken appropriate action to implement agreed actions.

Confirmation of implemented actions is sought by auditors at the next audit visit

Consultation

The proposed annual work plan was discussed with relevant senior directorate managers during April and May 2007. Following completion of each piece of audit work, and before issuing the final version, the manager's agreement to implement action(s) listed in the audit report action plan is obtained.

Background papers

Internal audit reports/quarterly monitoring reports.

Author

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INTERNAL AUDIT - REPORT FOR THE NINE MONTHS ENDING 31 DECEMBER 2007

Audit Plan, Performance and Resourcing

Internal audit coverage is determined using a risk assessment and high risk areas are audited as a priority. **Appendix 1** shows planned activity for 2007/8; summarised below:

2006/7		FULL YEAR WORK PLAN DETAILS	2007/8	
DAYS	%		Days	%
1,367	61	Systems/probity (incl computer, contract , council strategic)	1,401	60
889	39	Irregularity/consultancy requiring urgent attention	951	40
2,256	100	TOTAL	2,352	100

Appendix 2 compares actual against planned activity for the nine months and is summarised below.

DESCRIPTION	Estimated days for year	Proportion of days to 31.12.07	Actual days for year	%
Available weekdays	3,119	2,283	2,283	
Less: allowances:				
Leave, bank holidays	(-) 474	(-) 312	(-) 312	
Administration	(-) 149	(-) 112	(-) 136	
Contingency/other lost time (inc sickness)	(-) 79	(-) 60	(-) 156	
Vacancies	-	-	(-) 316	
Training & development	(-) 65	(-) 49	(-) 72	
SUB TOTAL	2,352	1,750	1,291	
Time allocation:				
Systems/probity	1,401	1,037	798	62
Irregularity/consultancy	951	713	498	38
TOTAL	2,352	1,750	1,296	100

The Appendix shows that although 1,750 net productive days were estimated to be available, actual days were 459 less, at 1,291 days. This was due to unbudgeted sickness/medical appointments (31 days), compassionate/special leave (1 day), higher contingency / admin (88 days), vacancies (316 days) and additional training (23 days).

At 1 April 2007, the service's establishment comprised 13 posts. The structure and team responsibilities are shown at **Appendix 3**. One auditor resigned wef 4 May 2007 and another on 26 October 2007. The service also carries a vacant part time auditor position (0.5). Interviews for 1.5 auditor positions were held in May 2007 and for 2.5 positions in December 2007. This resulted in one auditor position only being filled wef 2 January 2008.

Audit Work Allocation and Charging Basis

In March 2007 proposed work programmes and charges for 2007/8 were sent to executive directors and other senior managers. During April and May 2007 meetings took place with most of those officers to discuss and receive feedback on the proposals.

Each auditor has a personal annual work plan and is responsible for planning, monitoring and achieving their workload. All are aware of the service's quality indicators and the need to not exceed planned times without prior approval from their manager. Where actual time exceeds planned time due to issues arising in the service being audited, additional costs are charged to the relevant service.

WMLGA

The second year of this contract continues and most project reviews have now been completed. Recharge invoices have been submitted for payment.

Irregularity/Consultancy Work

This partly relates to potentially fraudulent activity reported under financial and contract rule 5 in respect of irregularities and confidential reporting in accordance with the Council's whistleblowing policy and the '*Anti Fraud and Anti Corruption Policy and Strategy*'. The service also undertakes consultancy / advisory work, including corporate projects and initiatives, at the request of senior managers. The service has tackled a lower than anticipated number of irregularity/fraud inquiries during the period and although the 2007/8 plan had 951 days (713 pro rata for the 9 months) for irregularity / consultancy work, to the 31 December 2007, 498 days have been charged (215 less).

Probity/Systems Work

Nearly all assignments were completed within planned timescales during the period.

Computer Audit

This work is being undertaken by our audit partner and the programme comprises eight projects; acquisition & disposal of information assets, change management including Paris, IT transformation, housing benefits EDMS, Nurrcis, Fiscom and Financial Assessment Calculator, Paris and Oracle CRM.

Contract Audit

4 final accounts with a value of nearly £13m were cleared during the year. Advice on procedural improvements was provided on these accounts, along with other advice and assistance, to senior managers on financial and contract rules and the development of safe contracting processes.

Contingency (including sickness/absence)

This overhead is continuously monitored to ensure charges are minimised. The charge to contingency is higher than anticipated due to staff instruction (new employee 27 days), new audit manual preparation (18 days), recruitment exercises (25 days) and new audit website and reporting / costing package (10 days).

Progress Reports to Services

Directorates are charged monthly based on a share of the annual planned time for routine, regularity and system audits. Actual costs for irregularity/unplanned work are charged monthly based on time actually spent on projects. **Appendix 4** shows work completed and/or near completion. Of the 490 suggested actions made 486 (99%) were

agreed for implementation. Relevant managers are responsible for ensuring these are promptly implemented.

Performance Management

Internal audit has for a number of years participated in the CIPFA national benchmarking club. As part of this exercise the service continues to compare itself with upper quartile authorities to set even more challenging targets for improvement while also improving processes and achievement. Local performance indicators (PIs) at **Appendix 5** show that the service achieved in its indicators applicable for the year.

The PI relating to agreed actions confirmed as implemented has improved over the last 2 years to 74% and 79% respectively. A level of 74% has however, been achieved for the current year to date.

As previously reported, this is mainly due to the payroll review and, arising from this level of achievement, has been closely monitored by the chief finance officer.

The overall achievement level is anticipated to improve by the year end as more reviews are completed.

A number of initiatives have been introduced to improve performance in this area and have included; managers now having to respond, without exception, to internal audit requests for confirmation of recommendations implemented and directorate leadership teams receiving quarterly schedules of reports / recommendation status and requiring their managers to confirm to them the accuracy of responses provided to internal audit in relation to recommendations implemented.

For Annual Governance Statement (AGS) purposes all executive / assistant directors will be required to sign off the end of year schedule stating that they are satisfied that appropriate steps have been taken by their managers to implement the agreed actions.

Training & Development

The recently appointed auditor will be commencing her CIPFA 2nd year, a Principal Auditor has now passed 3 papers of 4 towards his MIIA qualification, and 5 auditors have now completed the CIPFA Certificate in Investigative Practice for which final results are awaited.

Other Initiatives

The service continues to work towards achieving the requirements of the Race Relations (Amendment) Act 2000 and the Commission for Racial Equality Standard for Local Government. The service is part of the finance, law and performance equalities board and is currently working towards achieving level 3 of the Commission for Racial Equality Standard for Local Government. The service has a current *Investors in People* recognition.

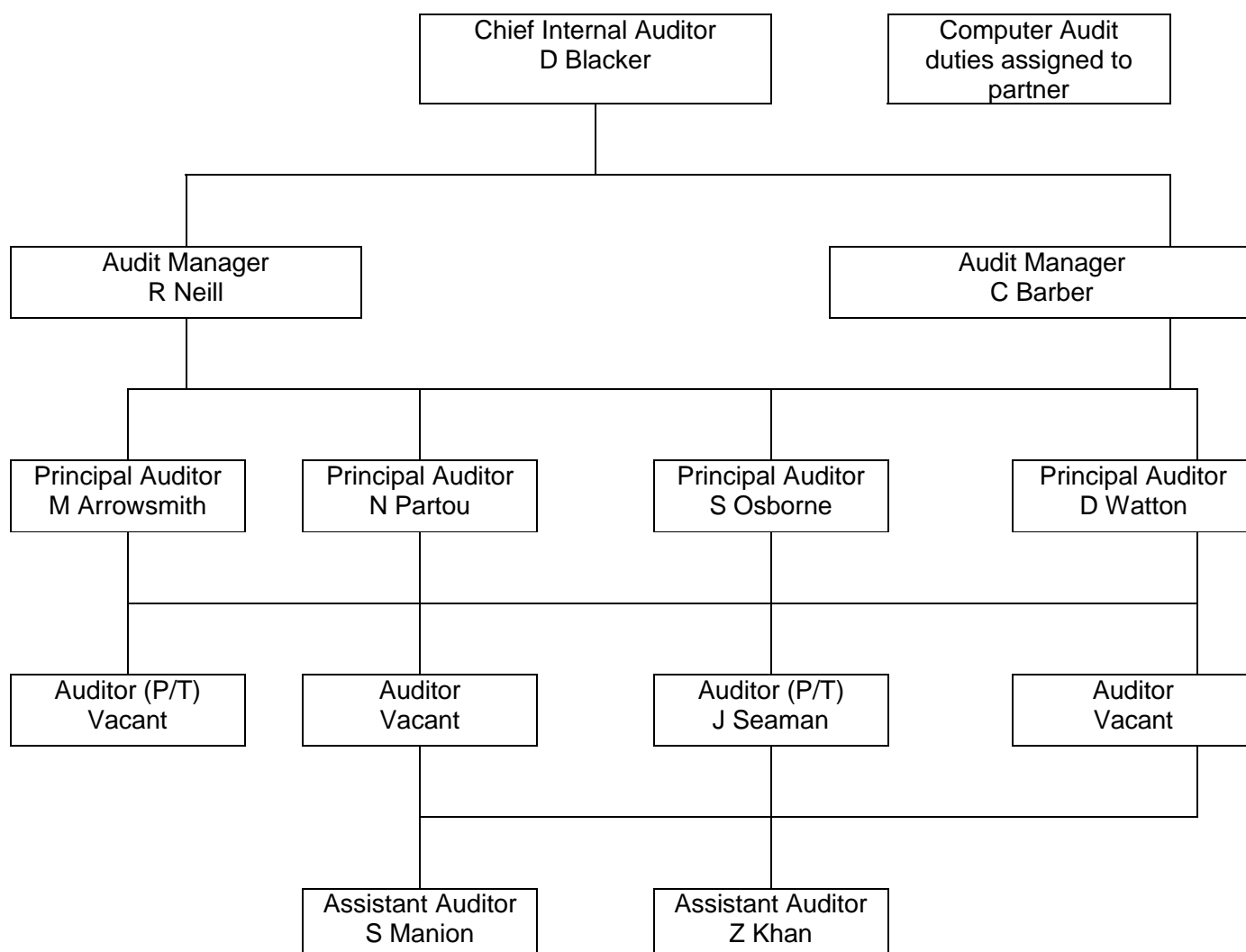
INTERNAL AUDIT– AUDIT FULL YEAR PLANNED TIME 2007/08

	Team 1	Team 2	Comp Audit	CIA	Grand Total
Available days	<u>1,305</u>	<u>1,443</u>	<u>110</u>	<u>261</u>	<u>3,119</u>
Allowances					
Annual Leave	129	150	-	30	309
Bank Holidays	67	83	-	15	165
Sickness	-	-	-	-	-
Sub Total (a)	<u>196</u>	<u>233</u>	<u>-</u>	<u>45</u>	<u>474</u>
Administration	20	20	-	109	149
Contingency	50	28	-	1	79
Training – Post Entry	6	4	-	-	10
- Other	23	27	-	5	55
Sub total (b)	<u>99</u>	<u>79</u>	<u>-</u>	<u>115</u>	<u>293</u>
PLAN DAYS AVAILABLE	<u>1,010</u>	<u>1,131</u>	<u>110</u>	<u>101</u>	<u>2,352</u>
Allocation :					
FR6/Unplanned	437	465	-	49	951
Systems	467	211	-	15	693
Regularity	81	305	-	20	406
Computer	-	-	110	-	110
Contracts	-	118	-	-	118
Council Strategic	25	32	-	17	74
TOTAL	<u>1,010</u>	<u>1,131</u>	<u>110</u>	<u>101</u>	<u>2,352</u>

INTERNAL AUDIT– AUDIT ACTUAL TIME – NINE MONTHS ENDING 31 DECEMBER 2007

APPENDIX 2

						ORIGINAL YEAR		DIFFERENCE
	Team 1	Team 2	CIA	Cons	Total	Full Year	Pro Rata	Col (8) - Col (6)
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Available days (a)	981	1,098	196	8	2,283	3,119	2,283	-
Less:								
Annual Leave	96	87	14	-	197	309	197	-
Bank Holidays	50	54	11	-	115	165	115	-
Elections	-	1	1	-	2	2	2	-
Compassionate Leave	1	-	-	-	1	-	-	(-) 1 loss
Vacancies	145	171	-	-	316	-	-	(-) 316 loss
Sickness/Medical Appointments	20	10	1	-	31	-	-	(-) 31 loss
Administration	21	48	67	-	136	149	112	(-) 24 loss
Contingency	69	53	-	-	122	77	58	(-) 64 loss
Training - Post Entry	12	-	-	-	12	10	8	(-) 4 loss
- Other	22	22	16	-	60	55	41	(-) 19 loss
Sub Total (b)	436	446	110	-	992	767	533	(-) 459 loss
Plan days available (a) - (b)	545	652	86	8	1,291	2,352	1,750	459 less
Comprising:								days available
Unplanned	233	214	51	-	498	951	713	215
Systems/Regularity/VFM	308	348	44	-	699	1,173	866	166
Computer	2	-	1	8	11	110	82	71
Contract	1	86	-	-	87	118	89	2
GRAND TOTAL	544	648	96	8	1,296	2,352	1,750	454 less days available

INTERNAL AUDIT**1) Establishment and 2) Team Responsibilities - 31 December 2007****2) Committee/Service Area Responsibilities****Team 1:**

Finance
 Performance
 Legal Services (inc democratic)
 Human Resources
 Children & Families
 Communications
 Adult Services
 Housing Services
 ICT
 Business Support

Team 2:

Economic Regeneration
 Physical Regeneration
 Environmental Regeneration
 Walsall Borough Strategic Partnership
 New Deal
 Built Environment
 Safer Walsall Borough Partnership
 Neighbourhood Partnership & Programmes
 Leisure Culture & Lifelong Learning
 Education Client/Schools
 Youth Services
 Procurement
 Contract
 Computer

Walsall Council
Internal Audit
Report Progress 2007/2008 as at 31 December 2007

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
<u>Schools</u>								
Alumwell Junior		Shelfield Sports & Community College (*)	10.08.07	31	31	29	24	2004/05
Bentley Drive JMI		Mary Elliot Special School	12.12.07	7	7	-	-	-
Bentley West JMI		Delves Junior	13.12.07	6	6	-	-	-
Birchills JMI		Pheasey Park Farm JMI	26.10.07	4	4	-	-	-
Busill Jones JMI		Castle Special School	26.10.07	10	10	-	-	-
Chuckery JMI								
Cooper & Jordan JMI								
Edgar Stammers JMI								
Hatherton JMI								
Hillary Street JMI								
Kings Hill JMI								
Leighswood JMI								
Lindens JMI								
Lower Farm JMI								
New Invention JMI								
Old Church JMI								
Palfrey Infants								
Palfrey Junior								
Park Hall Junior								
Pelsall Village JMI								
Pinfold Street JMI								
Rushall JMI								
Ryders Hayes JMI								
St Johns JMI								
St Michaels JMI								

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
Woodlands JMI								
Jane Lane Special School Oakwood Special School Old Hall Special School Finance								
Bank Account Reconciliations		Benefits System *	20.06.07	6	6	7	5	2005/06
Council Tax / NNDR		Benefit Claim Examination *	20.06.07	13	13	25	17	2005/06

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
Income Management		Landlords (Benefits)	20.11.07	3	3	2	1	2002/03
VAT								
Treasury Management								
<u>Adult Services</u>								
Bloxwich Hospital Mental Health Team		Aldridge Mental Health Team	13.08.07	16	16	-	-	-
Carers Support Mental Health Team		Pelsall Social Work Team (YADS)	14.09.07	25	25	-	-	-
Allens Centre Learning Disabilities Team		Bloxwich (Pinfold Centre) Mental Health Team	12.12.07	18	18	-	-	-
					12			

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
Broadway North Learning Disabilities Team		Adult protection Unit (YADS)	08.10.07	17	17	-	-	-
<u>Housing Services</u> Disabled Facilities Grant Sandwell House		User Consultation / Carers Support (YADS)	18.10.07	2	2	-	-	-

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
<u>Walsall Borough Strategic Partnership</u>								
		LAA / NRF	10.10.07	71	69	89	70	2004/05 to 2006/07

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
<u>New Deal</u>		New Deal - Finance *	27.06.07	22	22	20	17	2004/05
		New Deal - Economic Development *	12.06.07	19	19	-	-	-
<u>All</u>								

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Payroll *	12.06.07	52	52	80	44	2005/06
		Grants (compliance with manual) *	04.07.07	11	11	10	10	2005/06

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Capital Accounting	31.08.07	6	6	7	5	2006/07

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
<u>Children & Families</u>								
Out or Borough Placements		Lichfield Road	04.09.07	23	23	15	15	2002/03
Spindle Tree Rise		Castleview	14.08.07	23	23	12	4	2002/03

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
<u>Procurement</u> Strategic Procurement <u>Built Environment</u> Highways Establishment <u>Leisure Culture & Lifelong Learning</u> Central / Branch Library Checks	Estate Management (inc land terrier / sales) Waste Management Establishment							
		Electoral Registration	31.07.07	13	12	9	7	1998/99
		Illuminations	12.10.07	12	12	13	13	2003/04

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Media Fund	06.11.07	8	8	-	-	-
<u>Computer Audit</u>		Electronic Payments (web, automated & agent present) *	09.07.07	7	6	-	-	-

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Oracle General Ledger Application *	18.06.07	3	3	-	-	-
		Housing Benefit EDMS	28.11.07	0	0	-	-	-
<u>Contract Audit</u>								

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
Contracts with Major Creditors		Brownhills - New Multi Sports Facilities	24.08.07	9	9	-	-	-
Thomas Vale Construction Ltd		First Stop Shop	04.05.07	7	7	-	-	-
Brownhills Asphalte Tarmacadam		Joint West Midlands UKPMS Survey	09.05.07	2	2	-	-	-
Maintenance of Highways Structures 2003/06		Prudential Highways Maintenance Works - Birse Civil Engineering Ltd	02.11.07	1	1	-	-	-
Global Glass & Windows Ltd								

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
Piper Construction Midlands Ltd Advanced Contracts (Midlands) Aston Rose								
Totals				489	485	333	245	
Total Percentage					99%		74%	

*

2006/2007 audits carried forward into 2007/2008

Report selected by committee

05.02.08

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Conclusions

The financial and other systems operating at Sheffield Sports & Community College were found to be of an adequate standard. A number of good practices were noted during the audit although there are some areas which require improvement, particularly in relation to the operational controls within purchasing, income and assets and security arrangements. However, the prompt implementation of recommendations contained within this audit report will assist in enhancing procedures undertaken. Of the 29 agreed recommendations which remain applicable from the 2004/05 audit report, 24 have been successfully implemented. The 5 unimplemented recommendations, have been reiterated in this report, marked (*) in the action plan.

Compliant with FMSiS.

Compliant with FMSiS.

Compliant with FMSiS.

Compliant with FMSiS.

Conclusions

The systems operated within benefits were found to be of an adequate standard overall. Some good practices were noted during the audit, including: procedure notes / guidance issued for management of benefits and performance management arrangements. Some minor control compliance issues were noted in the areas of overpayments, extended payments and backdated awards. The prompt implementation of recommendations contained within this audit report will, however, further assist in enhancing procedures undertaken. On 24 November 2006 the revenue and benefits team manager confirmed that 4 of the 8 recommendations which remained applicable from the last audit had been implemented. Only 3 recommendations were found to be unimplemented. Of these 3, 2 unimplemented recommendations have been reiterated in this report, marked (*) in the action plan and the remaining 1 recommendation has been reiterated within the 2006/07 examination of benefits claims report (recommendation 1.2).

Examination of a sample of 60 benefit claims processed during 2006/7 identified that controls were of an adequate overall standard. Some good practices were noted during the audit and include; a benefit training pack is issued to all staff attending an induction training session and updates are made to guidance notes when there are changes to benefit regulations. Areas for improvement were noted in relation to claim processing, although it is recognised that good progress has been made in the time taken to process claims, and in the integrity of the benefit files selected. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken. 24 of the 25 agreed recommendations which remain applicable from the last audit were confirmed as implemented by the Revenues and Benefits Team Manager on 24th November 2006. Of these 8 had not been implemented. These recommendations have been re-iterated within this audit report and are marked (*) in the action plan.

Conclusions

Internal audit is able to give a full assurance opinion on the system of internal control operating for housing and council tax benefits - landlords. Some good practices were noted during the audit, including; the use of on-line procedure notes that include the latest legislation and Department of Works and Pensions guidance, proof of rent had been obtained in all cases examined and the covering letters sent out with housing benefit cheques and BACS payments makes a statement regarding the recovery of overpayments. Some areas for improvement have been identified, including benefit officers not recording that they have checked whether landlords are claiming housing benefit and not declaring their rental income when new claims are processed.

Internal audit is able to give a significant assurance opinion on the system of internal control operating within Aldridge mental health team. A number of good practices were noted during the audit, including; client contributions, petty cash, staff records, and the inventory. Some areas for improvement have been identified, including budget management, procurement and performance management. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

Internal audit is able to give a significant assurance opinion on the system of internal control operating within Pelsall social work team. A number of good practices were noted during the audit, including budget management and procedures for cash held. Some areas for improvement have been identified, including procedures for the recovery of fees from Walsall Primary Care Trust (tPCT), procurement and completion of staff records e.g flexi time recording systems and car mileage claims. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

Internal audit is able to give a significant assurance opinion on the system of internal control operating Bloxwich (North Sector) Mental Health Team. A number of good practices were noted during the audit, including those in relation to; documentation of procedures, the establishment of partnership agreements, petty cash administration and performance management. Some areas for improvement have been identified, including ensuring records maintained for day trips organised for the social inclusion group are accurately maintained and expenditure is robustly monitored. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

Conclusions

Internal audit is able to give a significant assurance opinion on the system of internal control operating within the adult protection unit. A number of good practices were noted during the audit, including; cash held, maintenance of stationery stocks and budget management. Some areas for improvement have been identified, including procurement, inventory, the need for back up procedures of computer data to be finalised and arrangements for the banking of private telephone call money. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

Internal audit is able to give a full assurance opinion on the system of internal control operated by both the user involvement manager and carer co-ordinator. A number of good practices were noted during the audit, including; staff records, security and performance management. Some areas for improvement have been identified, including the need for there to be a nominated officer for the collection and banking of private telephone call/photocopies and fax money and the completion of an inventory. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

Conclusions

For the LAA statement of grant usage 2006/07, the chief internal auditor was able to give reasonable assurance that the expenditure examined was eligible expenditure as defined in annex B of the LAA grant determination. During testing, items were identified which required adjustment and these were notified to the head of finance, regeneration and neighbourhood services. In undertaking the work necessary to form the opinion on the LAA grant and on reviewing the control environment for LAA, NRF and PPG, areas of control weakness were identified and are detailed within this report. In relation to the control environment, internal audit is able to give an overall limited assurance opinion on the system of internal control operating for the LAA grant, NRF and PPG. Some areas of good practice were noted during the audit, including the approval by the WBSP of a revised constitution and accountable body memorandum of roles and responsibilities and approach to target action planning. Some areas for improvement were, however, identified in governance arrangements in general, target action plans, approvals, grant agr

Conclusions

The financial and other systems operating in new deal finance were found to be of an adequate standard. A number of good practices were noted during the audit in the areas of staff records, security and banking. Some areas including petty cash, controls regarding procurement and the private use of NDC facilities are, however, in need of improvement. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken. All 20 agreed recommendations which remain applicable from the last audit, were confirmed as implemented by the finance manager, NDC, on 6 October 2006. This audit identified that 3 recommendations remained outstanding. These have been re-iterated within the audit report and are marked (*) in the action plan.

The financial and other systems pertaining to the economic development theme of New Deal were found to be of an adequate standard. The audit highlighted a number of good practices, and included the following:-

- at a strategic level the thematic approach to planning and delivery continues to provide an effective link to New Deal's overall vision;
- the primary outcome targets afford a mechanism to measure tangible improvements in the footprint area; and
- there is a focussed range of programmes in place to achieve the primary targets and this programme is informed by a range of stakeholders, including residents.

There are however, a number of areas where there are opportunities for New Deal to strengthen governance arrangements and underlying processes including: the possibility of identifying some existing performance measures to facilitate the direct measurement of progress against the strategic objectives.

Conclusions

The systems and procedures in operation were found to be of a poor standard. Although good progress has been made in addressing the previously reported recommendations, this audit review has continued to identify control weaknesses within some areas of processing of the Council's payroll. While it is recognised that management in payroll, pensions and employment support have taken positive action to remind officers of their responsibilities in complying with procedures and policies, some weaknesses have continued to be identified by internal audit when re-performing tests of these areas. It is noted, however, that improvements have been made in reducing the number of finding occurrences (exceptions) in most areas of testing performed. Further, certain exceptions identified are beyond the payroll, pensions and employment support's control i.e. they relate to council managers' actions, where payroll, pensions and employment support have only an 'influencing role' in ensuring compliance with control and procedures.

Of the 80 agreed recommendations which remain applicable from the 2005/06 audit review, 52 were confirmed as implemented by the manager of HRD employee services and payroll and pensions manager on 12 October 2006 and 17 October 2006 respectively, leaving 28 yet to be confirmed as implemented. During this 2006/07 audit, of the 28 recommendations yet to be confirmed as implemented, 17 were found to have been actioned, leaving 11 recommendations outstanding. Of the 52 recommendations confirmed as implemented, some evidence of non compliance was identified in testing in relation to a total of 25. These 25 recommendations, together with the 11 outstanding as above, give a total of 36 recommendations which have been reiterated in this report, marked (*) in the action plan.

The controls operated for monitoring compliance with the grants manual were found to be of an adequate standard. A number of good practices were noted during the audit, including the existence of a comprehensive grant manual and use of a grant claim checklist as a control aid to assist grant compilers, verifiers and project managers with their roles in respect of grants. Some areas for improvement were, however, identified, including, a corporate approach to grant research and planning and improved evidence of legal and corporate finance reviews of prospective grant agreements. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken. The 10 agreed recommendations which remain applicable from the last audit were confirmed as implemented by the group accountant on 10 November 2006. The 10 agreed recommendations which remain applicable from the last audit were confirmed as implemented by the group accountant on 10 November 2006. All were found to have been fully implemented at the time of this audit.

Conclusions

Internal audit is able to give a significant assurance opinion on the system of internal control operating for capital accounting. A number of good practices were noted during the audit, including; general procedures, asset additions and management information. Some areas for improvement have been identified, including the need for all service areas to ensure the capital performance and treasury team are notified of all amendments required to the asset register. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken. The 7 agreed actions which remain applicable from the last audit were confirmed as implemented by the principal accountant on 30 November 2006. Of these, 5 had been fully implemented at the time of this audit. The 2 unimplemented or partially implemented actions have been reiterated in this report, marked (*) in the action plan.

Conclusions

Internal audit is able to give a significant assurance opinion on the system of internal control operating within 57 Lichfield Road. A number of good practices were noted during the audit, including; controls surrounding the inventory, qualification for service provision, security arrangements and staff records. Some areas for improvement have been identified, including procurement, budget management, stock records and performance management. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken. All of the 15 agreed actions which remained applicable from the last audit report issued in October 2002 were found to have been fully implemented.

Internal audit is able to give a significant assurance opinion on the system of internal control operating within Castlevue. A number of good practices were noted during the audit, including; qualification for service provision, client admissions and discharges and staff records. Some areas for improvement have been identified, including administration of clients' money; and aspects of budget monitoring and performance management. Of the 12 agreed actions which remain applicable from the last audit report issued in September 2002, 8 had been fully implemented at the time of this audit visit. The 4 unimplemented actions have been reiterated in this report, marked (*) in the action plan.

Internal audit is able to give a significant assurance opinion on the system of internal control operating at Hilton Road. A number of good practices were noted during the audit, including; qualification for service provision, admissions and discharge procedures, cash held, budget management and stock records. Some areas for improvement have been identified, including controls regarding children's savings, procurement and staff records. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken. Of the 15 agreed actions which remain applicable from the last audit, undertaken in August 2000, 13 had been fully implemented at the time of this audit. The 2 unimplemented actions have been reiterated in this report, marked (*) in the action plan.

Internal audit is able to give a significant assurance opinion on the system of internal control operating within the review and child protection unit. A number of good practices were noted during the audit, including those in relation to; general office procedures, qualification for service provision, security, including computer security, and performance management. Some areas for improvement were identified and included controls regarding budget management, procurement, cash held and receipt books / other income. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

Conclusions

Internal audit is able to give a significant assurance opinion on the system of internal control operating within electoral registration. A number of good practices were noted during the audit, including; documentation of procedures, maintenance of the electoral register, staffing of polling stations and security arrangements. Some areas for improvement have been identified, including checks on completeness of vote reconciliations, sample checking payments made to temporary staff to avoid overpayments being made and ensuring all purchase orders for works, goods or services are raised prior to receipt of the invoice. Of the 9 actions which remain applicable from the last audit undertaken in December 1998, 7 were found to have been fully implemented. The 2 unimplemented actions have been reiterated in this report, marked (*) in the action plan. It is acknowledged however, that the previous audit report was completed several years ago during which time managerial changes have occurred which have impacted upon the implementation of previous audit recommendations.

Internal audit is able to give a significant assurance opinion on the system of internal control operating within Walsall Illuminations. A number of good practices were noted during the audit, including; formal consultative arrangements through working groups, event planning and procedure of a high standard; campaign planning for marketing and sponsorship; secure ticketing and cash handling. Improvements can be made by formalising working group arrangements with constitutional services and widening the scope of site risk assessment.

Conclusions

Internal audit is able to give a significant assurance opinion on the system of internal control operating within library media fund. A number of good practices were noted during the audit, including; those in relation to service planning, cataloguing, tracking library media and use of procedure notes. Some areas for improvement have been identified, including the documenting of approval for the allocation of the fund across branch libraries, and a standard form to request/authorise amendments made to the Galaxy system. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

The key IT controls surrounding the electronic payment systems were found to be of an adequate standard. A number of good practices were noted during the audit, including: electronic data validation is performed as part of the system web and telephone payment systems; processing of credit or debit card transactions is performed by the 'Government Gateway' over an encrypted website link; output from the electronic payment systems is distributed to the LGOLNET system on a timely basis; and sufficient members of staff are trained in the administrator functions for the web and telephone payment systems. A number of areas have, however, been identified for improvement, notably: a full system recovery from backup media of each of the electronic payment servers is not performed on a routine basis to verify the integrity of backup media and process; a business impact assessment has not been formally documented to determine the effect of short, medium and long-term loss of the electronic payment systems.

Conclusions

The controls surrounding the Oracle financials general ledger accounting system were found overall to be of an adequate standard. A number of good practices have been noted during the audit, including:

- Procedure notes for the oracle financials general ledger functions are readily available to all staff; and
- Management of access to the general ledger is effective with all requests for access correctly completed and authorised.

A number of areas have, however, been identified for improvement, notably:

- HR and/or payroll do not inform the system administrators when staff have left and should no-longer have access to the system. There is a mitigating control that the administrators remove access to any account which has been inactive for 30 days;
- It could not be established that the system had been registered with the Information Commissioner (formally the Data Protection Registrar); and
- It could not be established that there was a business continuity or disaster recovery plan in place.

The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken.

Internal audit is able to give a full assurance opinion on the system of internal control surrounding the implementation of EDMS. 2. The EDMS project was initiated in December 2006 when the Department for Work and Pensions (DWP) made £250,000 available providing the project was completed by 1st April 2007. The council agreed to increase the funding to enable additional functionality to be included. The initial project requirements were implemented in time to obtain the DWP funding while the additional functions were implemented in September 2007. A number of good practices have been noted during the audit; two in particular are noted here:

- the use of specialist project managers and adherence to council policies ensured the project was effectively managed; and
- council staff were involved in the project from an early stage and given appropriate training.

Testing of controls during this review has not identified any issues of note and consequently no actions have been made for improvements in the council's management of this project. Inspection of project documentation and reports i

Conclusions

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for Brownhills Comprehensive School – New Multi-Sports Facilities. Some good practices were noted during the audit, including; the use of a tender registration form, the identification and rejection of a late tender, all appropriate documentation being obtained from the contractor, creation and signing by the architect of instructions to cover all additional works, and receipt of a contractor's final account. A number of areas for improvement have been identified, including; obtaining appropriate authority prior to seeking tenders, ensuring the execution of contracts at an appropriate date, control of the works, and ensuring works are completed to time.

The financial and other systems operated were found to be of an adequate standard. A number of good practices were noted, including; the provision of a surety, holding of minuted site meetings and the pricing of contract administrator's instructions by a quantity surveyor. There remain areas for improvement including; obtaining appropriate authority to seek and accept tenders, and the execution of contracts within an appropriate time. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken.

The financial and other systems operated were found to be of a good standard. A number of good practices were noted, including; completeness and accuracy of documentation, proper authorisation of officers' actions and control of contractor's valuations. There remain areas for improvement including; the need to provide a completed tender receipt form, and the failure to obtain the council's health and safety form from the contractor. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken.

Internal audit is able to give a full assurance opinion on the system of internal control operated within the contractor's final account for Prudential Highways Maintenance Works. Some good practices were noted during the audit, including; seeking tenders in accordance with cabinet's resolution and EU procedures, use of a tender registration form, acceptance of tender in accordance with cabinet's delegation, appropriate documentation being obtained from the contractor, agreement and pricing of additional works in accordance with contract requirements, and receipt of the contractor's final account for each stage of the works. An area for improvement has been identified; the contractor having failed to provide the Council with a performance bond.

Conclusions

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APPENDIX 5

INTERNAL AUDIT

QUALITY TARGETS/PERFORMANCE INDICATORS – NINE MONTHS ENDED 31 DECEMBER 2007

Quality Targets/PI's (e.g. Response Time)	% Target	% Achieved 2007/08	% Achieved 2006/2007	% Achieved 2005/2006	% Achieved 2004/2005	% Achieved 2003/2004
Audits completed within planned time	95	96	96	95	95	98
Spending within budget	100	100	100	100	100	100
Productivity rate	65	Est 65	73.1	74.2	70.1	70.4
Audit plan achievement	95	Est 95	96.0	96.2	95.1	93.6
Report issued within 10 working days of exit meeting	80	83	84	92	94	90
Recommendations accepted/implemented or agreed	95	99	98	98	98	97
Returned customer questionnaires to show satisfaction	95	100	100	100	100	98
Overall perception of quality of service from Council wide Internal Audit survey	95	-	96	-	-	-

Note

1. The service now participates in the CIPFA national benchmarking club which enables comparison specifically with all similar type authorities (unitaries metropolitan districts).

For Information

Recommendations confirmed as actually implemented at next audit visit	95	74	79	74	73	73
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This target is a directorate manager's responsibility but is included for information. Action is being taken by internal audit to improve achievement level.