

## **Audit Committee – 3 September 2007**

### **Submission of Internal Audit Reports For Scrutiny**

#### **Summary of report:**

This report presents the two reports selected for scrutiny at the Audit Committee meeting of 5 March 2007.

#### **Background papers:**

Internal audit reports/files/working papers.

#### **Recommendation:**

1. To note the contents of the report.



**Carole Evans – Executive Director (CFO)**

**14 August 2007**

#### **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.

#### **Environment impact**

None arising from this report.

#### **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.

## **Vision impact**

The work undertaken by internal audit contributes towards the council's vision in ensuring we operate a sound control environment and provide excellent customer services.

## **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 recommendations was sought before issuing the final report. Shortly afterwards, the relevant manager was asked to formally confirm that the agreed action plan recommendations had been implemented.

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## **SUMMARY OF REPORTS SELECTED FOR SCRUTINY**

### Direct Payments

A review of the direct payments system was undertaken during October and November 2006 as part of the 2006/07 cyclical planned work. The direct payment initiative enables service users to purchase their own care arrangements as an alternative to or in addition to commissioned care arranged and purchased on their behalf by the Council.

The objectives of the audit were to assess the controls operating regarding the administration and financial arrangements, to test the accuracy of records maintained and assess the implementation of previously agreed audit recommendations.

The conclusions detailed in the final report (**Appendix 1**) issued in January 2007 were that:

*'The financial and other systems operated in respect of direct payments were found to be of a poor standard overall. The Council launched a pilot direct payment scheme in 1997 with 12 participants and the number of direct payment recipients has increased steadily since that date to approximately 250 at the time of audit, with numbers expected to rise in future years. The administration of direct payments is currently located in the younger adults and disability service (YADS) within the social care and inclusion directorate.'*

*Procedural controls regarding the management and administration of direct payments were found to be insufficient. There is not always explicit link between a service user's care plan and achievement of the care plan via direct payments; agreements were not always appropriately signed; procurement arrangements for support services, in particular their adherence to contract and financial rules, were not clear; payment processes were unsatisfactory and there has been no financial review or monitoring of records maintained by the service user to support payments made as recommended by the Department of Health and CIPFA.*

*The arrangements for budget monitoring and payments were also found to be in need of improvement, particularly in relation to segregation of duties, although some good practices were identified in relation to financial assessments of client contributions. The prompt implementation of recommendations contained within this audit report will assist in improving the control environment present.'*

A total number of 28 recommendations were agreed, 21 being at high priority. In requesting confirmation of the number of recommendations implemented, the head of service for younger adults on the, 1 August 2007, advised that 21 recommendations had been implemented. The 7 remaining recommendations are due for completion by 30 September 2007.

#### Short Heath Resource Centre

An audit review of Short Heath Resource Centre was undertaken as part of the 2006/07 cyclical planned work on older person's residential homes. The Centre provides residential and day care facilities for the elderly.

The objectives of the audit were to assess the controls operating regarding the administration and financial arrangements, to test the accuracy of records maintained and assess the implementation of previously agreed audit recommendations.

The conclusions detailed in the final report (**Appendix 2**) issued in April 2007 were that:

*'The financial and other systems operated at Short Heath Resource Centre were found to be of an adequate standard. A number of good practices were noted during the audit including; the production of procedure notes as part of the quality assurance system, arrangements for contributions / board & lodge payments and residents admissions & discharges. There are some areas which require improvement including the arrangements for residents' property & savings and the retention of banking information. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken.*

*Of the 20 agreed recommendations which remain applicable from the last audit, 19 were confirmed as implemented by the resource centre manager on 5 February 2004. Of these 15 had been fully implemented at the time of this audit. The 5 unimplemented recommendations have been reiterated in this report, marked (\*) in the action plan.'*

A total number of 49 recommendations were agreed, 10 being at high priority. In requesting confirmation of the number of recommendations implemented the resource centre manager advised that all but one had been implemented. The remaining action is due for completion by 31 December 2007.