

Audit Committee – 15 October 2007

Internal Audit Activity for the Six Months Ending 30 September 2007

Summary of report

This report presents internal audit's activity for the six months ending 30 September 2007, outlining ongoing and completed work and providing performance information.

Recommendations

- 1. To note that as at quarter 2 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)

4 October 2007

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	100	96
Spending within budget	100	100	100
Productivity rate	65	Est 65	73.1
Audit plan achievement	93	Est 93	96.0
Report issued within 10 working days of exit meeting	80	85	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 30 September 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 69% as detailed within Appendix 4. The payroll report accounts for the majority of the shortfall and the Executive 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 they 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.

Formal confirmation of implemented actions is sought 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 SIX MONTHS ENDING 30 SEPTEMBER 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	2006/7	
DAYS	%		Days	%
1,367	61	Systems/probity inc 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 six months and is summarised below.

DESCRIPTION	Estimated days for year	Proportion of days to 30.09.07	Actual days for year	%
Available weekdays	3,119	1,508	1,508	
Less: allowances:				
Leave, bank holidays	(-) 474	(-) 232	(-) 232	
Administration	(-) 149	(-) 75	(-) 80	
Contingency/other lost time (inc sickness)	(-) 79	(-) 41	(-) 108	
Vacancies	-	-	(-) 170	
Training & development	(-) 65	(-) 33	(-) 14	
SUB TOTAL	2,352	1,127	904	
Time allocation:				
Systems/probity	1,401	476	589	65
Irregularity/consultancy	951	651	317	35
TOTAL	2,352	1,127	906	100

The Appendix shows that although 1,127 net productive days were estimated to be available, actual days were 223 less, at 904 days. This was due to unbudgeted sickness/medical appointments (31 days), compassionate/special leave (1 day), contingency / admin (40 days), vacancies (170 days), but was offset by training (19 days).

At 1 April 2007, the service's establishment comprised 12 posts. The structure and team responsibilities are shown at **Appendix 3**. One auditor resigned wef 4 May 2007 and another will be leaving wef from 26 October 2007. These two posts, along with a further part time auditor post, are currently being advertised.

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.

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 (476 pro rata for the 6 months) for irregularity / consultancy work, to the 30 September 2007, 317 days have been charged (159 less).

Probity/Systems Work

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

Computer Audit

This will be undertaken by our audit partner and the programme comprises eight projects; e-procurement, HRD portal, acquisition & disposal of IT equipment, change management, IT transformation, software licensing, housing benefits EDMS and Nurrcis.

Contract Audit

3 final accounts with a value of nearly £2.3m 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 20 days), new audit manual preparation (12 days) and recruitment exercise (6 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 also charged. **Appendix 4** shows work completed and/or near completion. Of the 279 suggested actions made 277 (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 69% has however, been achieved for the current year to date.

This is essentially due to the payroll review and, arising from this level of achievement, has been closely monitored by the Executive Director.

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 require 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.

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>

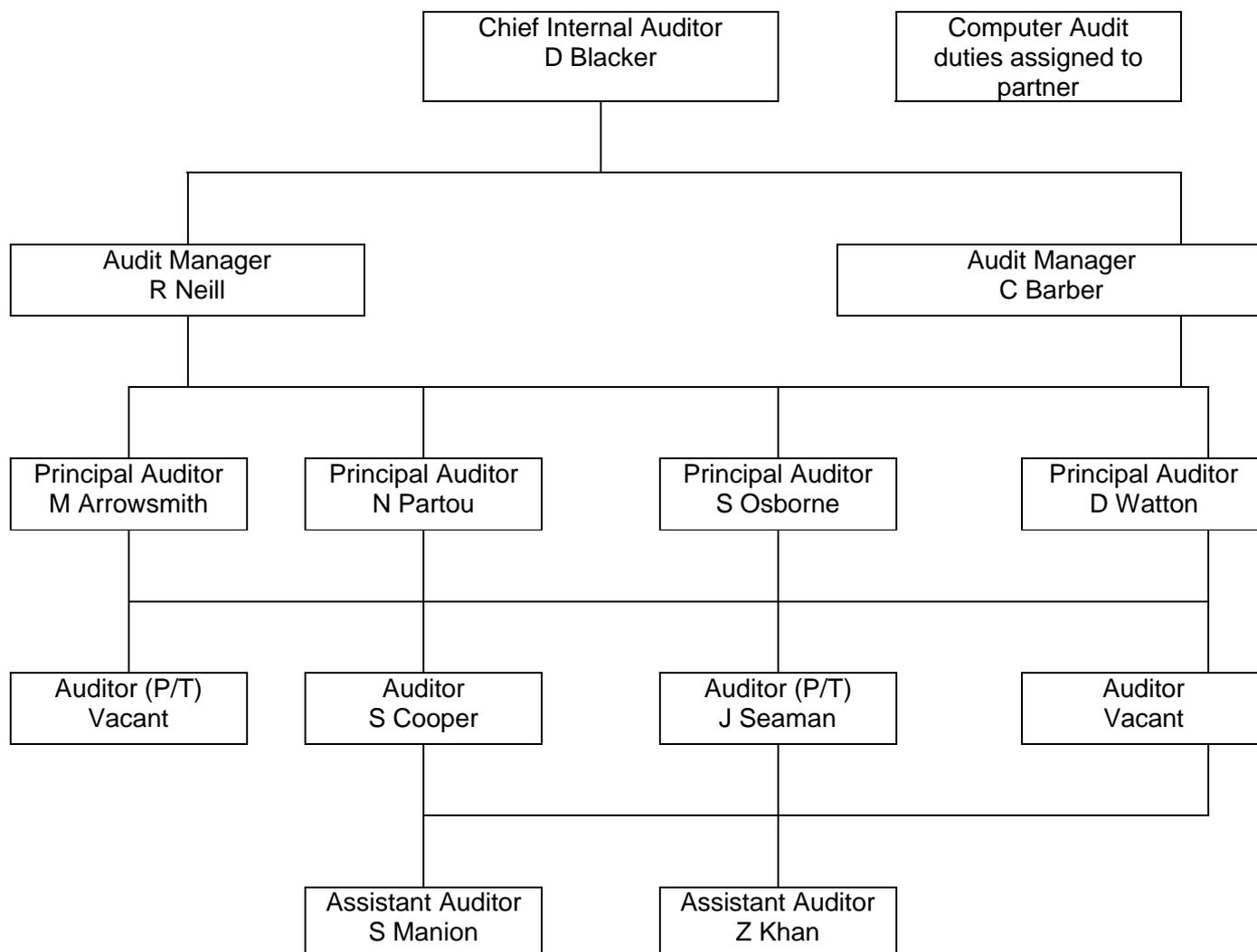
INTERNAL AUDIT– AUDIT ACTUAL TIME – SIX MONTHS ENDING 30 SEPTEMBER 2007

APPENDIX 2

					ORIGINAL YEAR		DIFFERENCE
	Team 1	Team 2	CIA	Total	Full Year	Pro Rata	Col (7) - Col (6)
	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Available days (a)	650	728	130	1,508	3,119	1,508	-
Less:							
Annual Leave	66	70	9	145	309	145	-
Bank Holidays	39	40	8	87	165	87	-
Elections	-	1	1	2	2	2	-
Compassionate Leave	1	-	-	1	-	-	(-) 1 loss
Vacancies	65	105	-	170	-	-	(-) 170 loss
Sickness/Medical Appointments	20	10	1	31	-	-	(-) 31 loss
Administration	7	28	45	80	149	75	(-) 5 loss
Contingency	45	29	-	74	77	39	(-) 35 loss
Training - Post Entry	6	-	-	6	10	5	(-) 1 loss
- Other	2	4	2	8	55	28	20
Sub Total (b)	251	287	66	604	767	381	(-) 223 loss
Plan days available (a) - (b)	399	441	64	904	2,352	1,127	223 less
Comprising:							days available
Unplanned	144	136	37	317	951	476	159
Systems/Regularity/VFM	254	247	32	533	1,173	537	4
Computer	2	-	1	3	110	55	52
Contract	1	52	-	53	118	59	6
GRAND TOTAL	401	435	70	906	2,352	1,127	221 less days available

INTERNAL AUDIT

1) Establishment and 2) Team Responsibilities - 30 September 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

INTERNAL AUDIT

QUALITY TARGETS/PERFORMANCE INDICATORS – SIX MONTHS ENDED 30 SEPTEMBER 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	100	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	93	Est 93	96.0	96.2	95.1	93.6
Report issued within 10 working days of exit meeting	80	85	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	69	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.

Walsall Council
Internal Audit
Report Progress 2007/2008 as at 30 September 2007

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
<u>Schools</u>								
Bentley Drive JMI		Sheffield Sports & Community College (*)	10.08.07	31	31	29	24	2004/05
Bentley West JMI								
Birchills JMI								
Cooper & Jordan JMI								
Delves Junior								
Hillary Street JMI								
Kings Hill JMI								
Leighswood JMI								
Lindens JMI								
Old Church JMI								
Palfrey Junior								
Park Hall Junior								
Pelsall Village JMI								
Pheasey Park JMI								
Rushall JMI								
Ryders Hayes JMI								
Castle Special School								

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
Finance								
Landlords (Benefits)		Benefits System *	20.06.07	6	6	7	5	2005/06
Council Tax		Benefit Claim Examination *	20.06.07	13	13	25	17	2005/06
Income Management								
VAT								
Treasury Management								
Bank Account Reconciliations								

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
<u>Adult Services</u>								
Bloxwich (Pinfold Centre) Mental Health Team		Aldridge Mental Health Team	13.08.07	16	16	-	-	-
User Consultation / Carers Support (YADS)	Adult protection Unit (YADS)	Pelsall Social Work Team (YADS)	14.09.07	25	25	-	-	-
Bloxwich Hospital Mental Health Team								
Carers Support Mental Health Team								
Allens Centre Learning Disabilities Team								
Broadway North Learning Disabilities Team								
<u>Housing Services</u>								
Public Sector Renovation Grants								
Disabled Facilities Grant								
Sandwell House								
<u>Walsall Borough Strategic Partnership</u>								
LAA / NRF								

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	-	-	-
		Payroll *	12.06.07	52	52	80	44	2005/06
<u>All</u>								

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Grants (compliance with manual) *	04.07.07	11	11	10	10	2005/06
		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
Hilton Road		Castleview	14.08.07	23	23	12	4	2002/03
Spindle Tree Rise								
Review & Child Protection Unit								
<u>Procurement</u>								
Strategic Procurement								
<u>Built Environment</u>								
Estate Management (inc land terrier / sales)								
Waste Management Establishment								
Highways Establishment								

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
<u>Leisure Culture & Lifelong Learning</u> Central / Branch Library Checks	Illuminations	Electoral Registration	31.07.07	13	12	9	7	1998/99
Media Fund <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	-	-	-
<u>Contract Audit</u>	Brownhills - New Multi Sports Facilities	First Stop Shop	04.05.07	7	7	-	-	-
		Joint West Midlands UKPMS Survey	09.05.07	2	2	-	-	-
Totals				279	277	214	148	
Total Percentage					99%		69%	

* 2006/2007 audits carried forward into 2007/2008
 Report selected by committee

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	

04.10.07

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.

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 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.

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.

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.

Conclusions

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.

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 Castleview. 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.

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.

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.

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.

Conclusions