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**CONTACT: LINDA NOKES,**  
**CONSTITUTIONAL**  
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**CABINET OFFICE**  
**EXT. 3550**



## AUDIT COMMITTEE

22 July 2004

AGENDA  
ITEM:

13.

### EXTERNAL AUDIT PROGRESS REPORT

Ward(s): ALL

Forward Plan: Yes

Portfolio: All

Service Area: Corporate perspective covering all service areas

#### Summary of report:

The report summarises the work undertaken to date by the Audit commission. It builds on the previous report taken to the committee in March 2004. New or changed information from the previous report is shown in italics.

#### Background Papers:

- Interim audit report
- CPA report
- Housing inspection report
- Report on internal audit

#### Recommendations

- To note the progress of the Audit Commission audit and inspection work.

Signed

Executive Director Carole Evans

Date: 13 July 2004

**Resource and Legal Considerations**

The responsibilities of Audit Commission inspectors are detailed in section 10 of the Local Government Act, 1999. Auditor's responsibilities are summarised in the Audit Commission's statement of key responsibilities of auditors and set out in the Audit Commission Act 1998.

**Citizen Impact**

The report is addressed to members and officers for the sole use of the audited body. The summary of the auditor's and inspector's work will be included in the annual letter to members which will be a public document.

**Environment Impact**

None directly relating to this report.

**Performance Management and Risk Management Issues**

The audit work provides an independent summary of the council's performance by the Audit Commission. It considers key issues for the council and is a way of objectively assessing (along with other material) how the council is progressing.

**Equality Implications**

None directly relating to this report.

**Consultation**

The draft of this report has been discussed with senior finance staff.

**Contact Officer:**

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## 1. OVERVIEW

- 1.1 Overall our work shows that the Council is continuing to make progress in improving the management of its affairs. Where issues have been raised action has been taken promptly by officers or plans developed to implement change over a short period of time (e.g. training on grant claims and financial administration).
- 1.2 The report outlines for members the key issues arising from the audit and inspection work delivered so far and gives an indication of work to be carried out over the next few months.
- 1.3 All draft reports are discussed with relevant officers to ensure that the findings are factually correct. Once this is done action plans are developed in conjunction with officers to identify who will implement recommendations and when they will be implemented.

Audit Progress Report  
**Walsall Metropolitan  
Borough Council**

July 2004

Reference:	Audit Progress Report for July 041.doc	
Date:	8 July 2004	BAW



## Introduction

Audit programme	Planned start date	Completion date	Progress to date	Comments										
1 Planning	Dec 2003	Dec 2003	Final audit and inspection fee agree with Carole Evans on 19 December 2003.	<p>The total fee for the audit and inspection for the council for 2002/2004 is £597,000. This is below the midpoint of the Audit commission fee scale and is within the budget held in the resources directorate. In addition we will charge approximately £135,000 for the audit of claims for specific grant.</p> <p>We anticipate that the fee will be sufficient to cover all our statutory audit work.</p> <p>The analysis of the fee is:</p> <table><tr><td>Planning, management and reporting</td><td>£150,000</td></tr><tr><td>Accounts</td><td>£104,000</td></tr><tr><td>Financial aspects of corporate governance</td><td>£140,000</td></tr><tr><td>Performance audit</td><td>£ 86,000</td></tr><tr><td>Inspection (CPA, Housing)</td><td>£117,000.</td></tr></table> <p>Members should note that the above analysis covers the Audit Commission work.</p>	Planning, management and reporting	£150,000	Accounts	£104,000	Financial aspects of corporate governance	£140,000	Performance audit	£ 86,000	Inspection (CPA, Housing)	£117,000.
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2 Financial Governance	Feb 2004	May 2004	<p>Work completed and a draft report has been discussed with officers.</p> <p>Internal Audit work has been taken into account as part of our review</p>	<p><i>This is work we carry out during the year in advance of the audit of the accounts which helps us to plan our accounts audit work and provides us with a view of the soundness of the Council's arrangements properly to manage its financial affairs.</i></p> <p><i>Generally, as expected we found that the Council's financial management processes were robust.</i></p> <p><i>Areas where procedures could be strengthened have been agreed and action has been taken or is planned for the near future. Some of these were already being considered by your Finance managers and include</i></p> <ul style="list-style-type: none"><li><i>Ensuring that all accounting reconciliations are completed in a timely manner and that resulting action is taken promptly</i></li><li><i>Delivering a programme of Corporate Finance training for budget managers ( particularly in Education)</i></li><li><i>Ensuring service areas take a robust line on the recovery of outstanding debt</i></li><li><i>Clarifying reporting of capital expenditure which is not mainstream funded</i></li></ul>										

				<ul style="list-style-type: none"> <li>Ensuring care managers are aware of the need to ensure information in management systems is kept up to date</li> </ul>
3 Final Accounts	Jul 2004		Audit work commenced on 5 <sup>th</sup> July as planned	<p>We have reviewed the Council's core financial processes and have concluded that we can place significant reliance on those used to produce information on the annual accounts.</p> <p>The draft accounts were delivered to us on 30<sup>th</sup> June as planned.</p> <p>We aim to substantially complete our audit by early September with a view to giving a formal opinion at the next Audit Committee.</p>



Audit programme	Planned start date	Completion date	Progress to date	Comments
4 Detailed review of Internal Audit.	Feb 2004	May 2004	<i>Draft report has been discussed with Internal audit</i>	<p>We concluded that IA work was of a sufficient standard for us to place reliance on it where appropriate.</p> <p>IA has delivered 93% of its planned audits compared to a target of 90% set for the year. This is a significant improvement on previous years and reflects the additional resources made available and the effective management of the in house staff and the partner organisation.</p> <p>IA has revised its risk assessment methodology so that it focuses even more on key risk areas to the Council.</p> <p>We have suggested that summary reporting could be reviewed to provide a RAG (traffic lights) style which the council has adopted in other performance reporting areas.</p> <p>We have also suggested that more information could be included in the summaries for Audit Committee to provide members with a fuller picture of the findings from each audit</p>
5 Putting the Citizen First Project	Feb 2004			<p>We will review the project at discrete stages. This is a key project and our work will be ongoing for the next year.</p> <p>We have reviewed the initial phases of the process and have concluded that the Council has put robust controls in place.</p>
6 Education outsourcing	Feb 2004	March 2004		<p>Internal audit are carrying out a review and we will tailor our work to their findings.</p> <p>We liaised closely with Internal audit who completed a comprehensive audit and we do not intend to carry out further work this year</p>
7 Pooled budgets	Feb 2004	June 2004	<i>Processes and memorandum account audit has been completed</i>	<p>We concluded that many of the issues raised in our 2002/03 audit had been addressed and that the partnership appeared to be working well.</p> <p>Finance staff provided us with the memorandum account, supported by good working papers, by the agreed date and we gave an unqualified opinion on the memorandum account on 14<sup>th</sup> June.</p>
8 Use of Agency Staffing in Social Services		Mar 2004	Work completed, report discussed with Director of Health and Social Care, Action Plan in place.	<p>The Council spends about £4m pa on agency staffing within Social Services. In our audit we identified the need for:</p> <ul style="list-style-type: none"> <li>improvements in the way in which contracts for agency staff are let to ensure compliance with EC directives and the council's own procedures</li> </ul>



				<ul style="list-style-type: none"> <li>• better guidance to managers on the use of agency staff</li> <li>• better supervision of the application of guidelines</li> <li>• better contract monitoring procedures</li> <li>• improved monitoring of sickness and turnover of permanent staff</li> <li>• a review of recruitment and retention procedures to help reduce the need for agency staffing</li> </ul> <p>Officers have extended the findings from our report to cover consideration all aspects of the acquisition and use of agency staff on a Council wide basis.</p>
9	Housing Inspection	Jan 2004	Completed	<i>This report has been finalised and an action plan put in place by officers</i>
10	CPA	Feb 2004	Completed	<i>This report has been finalised and an action plan put in place by officers.</i>

Audit programme	Planned start date	Completion date	Progress to date	Comments
11 2002/2003 grant claim audits	Mar 2004		<p>We now provide detailed written feedback to relevant officers.</p> <p>A summary report has been produced and discussed with Assistant Director of Finance on 12 March.</p>	<p>The Council obtains about £115m income from a wide variety of specific government grants which clearly support a significant proportion of the Council's activity.</p> <p>As in previous years we have qualified a number of grant claims. The level is about the same as in 2001/2002. Whilst many of these arise from minor lapses in procedures which we are required to report there are a number of significant issues for the officers to consider. These are.</p> <ul style="list-style-type: none"> <li>• Internal audit work should be timed to meet both the Council's and our external audit requirements.</li> <li>• The council needs to pay particular attention the accountability regime for grants which involve relationships with third parties (e.g. SRB, Sure Start, New Deal, and Criminal Justice).</li> <li>• A proportion of the grants claims submitted for audit did not immediately reconcile to the ledger. This resulted in significant audit effort and therefore additional audit costs which are avoidable.</li> <li>• Not all project managers appear to be aware of, or fully comply with, CPRs and FPRs.</li> </ul> <p><i>We have helped Finance staff develop and deliver two workshops for officers involved in managing grant aided expenditure.</i></p>
12 Performance Indicators	July 2004	September 2004	Audit work commenced on the Council performance plan on 5 <sup>th</sup> July.	<p><i>We have liaised with staff throughout the year and provided input to two training workshops for staff in the Regeneration and Built Environment directorate</i></p>

**Status of our reports to the Council**

*Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.*