

Audit Progress Report

Walsall Metropolitan Borough Council

Audit 2004/2005

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local and national services for the public. Our remit covers around 11,000 bodies which between them spend more than £180 billion of public money every year. Our work covers local government, health, housing, criminal justice and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we monitor spending to ensure public services are good value for money.

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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2005

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Introduction	4
Appendix 1 – Summary of External Audit Work	6

Introduction

- 1 The report sets out the various aspects of the external audit.
- 2 The Committee is asked to note that, as is our usual practice with this report, we have noted the actions since the last meeting (July 2005) in bold type script in the appendix. The additions are summarised below.
- 3 Financial governance:
 - Internal Audit have now followed-up the recommendations on the key financial systems and we will take the results of this work into accounts in our consideration of the Statement of Internal Control which is included in the Council's financial statements.
- 4 Final accounts:
 - work has proceeded as planned and we anticipate we will be able to meet the 29 September target for giving an opinion on the accounts.
- 5 Oracles implementation:
 - main conclusions are:
 - the transfer of standing data and balances from the former general ledger (LAFIS), and debtor and creditor systems (both Radius) to Oracle was subject to effective control; and
 - control is adequate in many areas (ie access to legacy data, staff training) but more work is needed in relation to systems resilience and i-procurement.
- 6 Nurrcis and Fiscom:
 - main conclusions are:
 - the Directorate has made progress in resolving the issues identified in last year's final accounts audit;
 - there is still uncertainty about the completeness of the client database. Social care area teams are regularly reminded of the importance of ensuring this database is accurate to help the proper planning and delivery of care; and
 - considerable effort has been put into ensuring the reconciliations between these systems and the general ledger are more robust.
- 7 Grant claims:
 - one of our key recommendations was that Internal Audit should carry out a review of compliance with the Council's grant claims procedure manual. The specification for this work has been developed in discussion with ourselves and the work has already commenced.

8 Audit of performance indicators:

- we have noted an improvement in the overall standard of compilation of data for the statutory PIs which are published as part of the Council's best value performance plan;
- we have asked for the amendment of fewer published PIs than in previous years; and
- this reflects the greater emphasis the Council is putting on performance management and the use of PIs in this process, which requires the production of accurate information during the year.

Appendix 1 – Summary of External Audit Work

Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
1. Planning		August 2004	Completed.	Presented to and agreed at September Audit Committee.
2. Financial governance	February 2005	May 2005	Work has been completed and a draft report issued for discussion.	<p>We took account of Internal Audit work. This identified a number of areas where internal controls need improvement. From our discussions, with officers it is clear they are in the process of putting remedial action in place before the audit opinion is given on the Council's financial statements. Many of the financial systems are rated as adequate or good but there have been significant problems identified by IA in:</p> <ul style="list-style-type: none"> • debtors; • creditors; and • payroll. <p>As these are major financial systems, it is important for the Council to ensure that prompt remedial action is taken. IA have undertaken to review these systems in the near future so that by the time we complete our audit of the financial statements, there is ample evidence that improvements have been implemented.</p>

Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
3. Final accounts	July 2005	September 2005	Detailed audit work commenced on 11 July.	<p>We have provided some guidance to Council staff on what we need in working papers to support the accounts. The AC has provided a workshop for senior accountants in local government which was attended by your Finance Resource Planning manager. We have begun our work on your core processes upon which we plan to seek reliance in our detailed testing (Ledger and Budgetary controls and closedown processes). We have commenced some early testing on fixed assets.</p> <p>From our financial governance work, we have identified the need to carry out more testing than initially planned because the IA reports have raised significant internal control issues relating to debtors, creditors and payroll.</p> <p>Work has proceeded as planned and we anticipate we will be able to meet the 29 September target for giving an opinion on the accounts.</p>

Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
4. Detailed review of Internal Audit	February 2005	April 2005	We have reviewed the organisational and structural processes within the section and we have completed our detailed review of the quality of the work. However, at 13 June some key financial systems audit reports remained to be finalised.	<p>We are satisfied that the team is structured resourced and managed to provide an effective service.</p> <p>We are also satisfied that the work is of sufficient quality for us to place significant reliance on it, thus reducing the need in many areas for extensive external audit work.</p> <p>Internal audit have simplified the range of opinions they give on each piece of work. This provides a clear message to service management of the state of internal control in the area examined. The assessments are:</p> <ul style="list-style-type: none"> • good; • adequate; • poor; and • unsatisfactory. <p>Internal Audit have now completed the work on key financial systems and have carried out a follow-up audit of the key financial systems which were causing concern.</p>

Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
5. Putting the Citizen First Project	Ongoing.			<p>We plan to work with Internal Audit on this project. Work will include a review of the BAFO process; consideration of affordability, public sector comparator and accounting issues; and a review of draft contract conditions.</p> <p>We have had one meeting with Fujitsu, two update meetings with the project team and discussions with IA as to how, jointly, we can gain the assurance needed. The Chief Executive has asked that we specifically ensure that there are effective audit arrangements written into the contract and contract management procedures.</p> <p>We now meet each two weeks with the project team and IA to discuss issues as they arise.</p>
6. SERCO	December 2004		<p>Audit brief agreed with director.</p> <p>Work is ongoing.</p>	Internal Audit have carried out a review of the contract management process and we are taking this into account for our own work.

Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
7. ORACLES implementation	November 2004	February 2005	Report now finalised and an agreed action plan is in place.	<p>We are working with Internal Audit on this project to ensure we bring complementary skills to bear and to avoid duplication</p> <p>Main conclusions are:</p> <ul style="list-style-type: none"> • the transfer of standing data and balances from the former general ledger (LAFIS), and debtor and creditor systems (both Radius) to Oracle was subject to effective control; and • control is adequate in many areas (ie access to legacy data, staff training) but more work is needed in relation to systems resilience and i-procurement.
8. Use of agency staffing in Social Services	March 2005	March 2005	Work complete.	A short update from the Directorate of Social Care and Supported Housing was considered at the last meeting.
9. Community associations	November 2004	March 2005	Work completed.	Report agreed with Executive Director. A copy is on the agenda, together with a completed action plan.
10. Partnership working	November 2004	April 2005	Work completed.	Report presented to July Audit Committee.

Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
11. Review of Nurrcis and Fiscom	February 2005	April 2005	Work completed	<p>Report and action plan agreed. Main conclusions are: the directorate has made progress in resolving the issues identified in last year's final accounts audit;</p> <ul style="list-style-type: none"> there is still uncertainty about the completeness of the client data base. Social care area teams are regularly reminded of the importance of ensuring this database is accurate to help the proper planning and delivery of care; and considerable effort has been put into ensuring the reconciliations between these systems and the general ledger are more robust.
12. Trent implementation	March 2005	July 2005	Work is ongoing.	Building on the work of Internal Audit we will seek to ensure that satisfactory controls are put in place and are being followed.
13. BVP 109	March 2005	April 2005	Work completed and a final report issues.	Following the qualification of the PI last year, we were asked to carry out some early work to provide an assessment of the improvements which the Council had made in its systems. The report has been finalised and we are please to report that the systems in place are much more robust than in 2003/04.
14. Education PIs	March 2005	April 2005	Work ongoing.	Following significant amendments to Education PIs last year, we were asked to carry out some early work on data currently available.

Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
15. Corporate performance assessment	March 2005	April 2005	Work complete and the report has been published.	The assessment recorded Walsall's assessment as 'fair' which reflects the progress the Council has made in a short timescale.
16. Audit of grant claims		May 2005	<p>Draft report issued May 2005.</p> <p>Final report and recommendations now agreed.</p>	<p>As in previous years, we have produced a report summarising the results of our work auditing claims for government grant.</p> <p>Since our last report, the Council has developed a comprehensive grant claims procedure manual and provided training to a wide range of staff involved in the grants management process. The manual identifies many areas of good practice and relevant officers should be reminded of the need to follow its guidance.</p> <p>In summary, we noted an improvement in the quality of working papers which had been prepared by accountancy staff but we still qualified 12 claims (about the same proportion as the previous year).</p> <p>One of our main concerns is that where grants are paid by the Council to partner organisations the project managers do not always evidence the fact that they have monitored delivery. We found this in about 10 per cent of the grant claims. In other areas we identified that project managers could not always demonstrate that they had complied with contract procedure rules.</p>

Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
				<p>One of our key recommendations was that internal Audit should carry out a review of compliance with the Council's grant claims procedure manual. The specification for this work has been developed in discussion with ourselves and the work has already commenced.</p>
17. Audit of performance indicators	July 2005		Work is substantially complete.	<p>We have noted an improvement in the overall standard of compilation of data for the statutory PIs which are published as part of the Council's best value performance plan.</p> <p>We have asked for the amendment of fewer published PIs than in previous years.</p> <p>This reflects the greater emphasis the Council is putting on performance management and the use of PIs in this process which requires the production of accurate information during the year.</p>

...