

Audit Committee – 2 March 2009

Internal Audit Activity for the Nine Months Ending 31 December 2008

Summary of report

This report presents internal audit's activity for the nine months ending 31 December 2008, outlining ongoing and completed work and providing performance information.

Recommendations

- 1. To note that as at quarter 3 of 2008/9 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.**

Rory Borealis

Rory Borealis - Executive Director (Resources)

18 February 2009

Resource and legal considerations

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

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 undertaken. 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 - finance as the chief finance officer, who is responsible for making arrangements for the proper administration of the Council's financial affairs.

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 and citizens regarding the security of our operations.

Performance 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 2008/09	% Achieved 2007/08
Audits completed within planned time	95	100	95
Spending within budget	100	100	100
Productivity rate	65	Est 65	69.2
Audit plan achievement	95	Est 95	96.9
Report issued within 10 working days of exit meeting	80	100	97
Recommendations agreed	95	100	99
Returned customer questionnaires to show satisfaction	95	100	100
Overall perception of service quality from Council wide corporate services' survey	95	-	-

As at 31 December 2008, 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 79% and 78% respectively has been achieved in each of the last 2 years against a previous target of 95%.

The Corporate Management Team (CMT) meeting on the 31 July 2008 agreed that, for the future, this target would be 100% for 3* actions and 95% for 1* and 2* actions.

The current year's level is presently recorded at 84% as detailed within Appendix 4.

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 executive and assistant directors 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.

- High priority actions (3*) are subject to formal follow up by an audit officer to confirm implementation.
- A schedule of audit jobs and actions agreed and those formally confirmed as implemented by managers is presented quarterly to executive directors.
- The schedule now appears on directorate management 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 are required, on a quarterly basis, to sign and return their schedule to internal audit confirming that managers have taken appropriate action to implement agreed actions.

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

Equality implications

Internal audit has full regard to equalities both within the internal audit service and in the services / activity under review. The service has achieved level 3 of the Equality Standard for Local Government.

Consultation

The proposed annual work plan was discussed with relevant senior directorate managers during February and March 2008. 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.

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INTERNAL AUDIT - REPORT FOR THE NINE MONTHS ENDING 31 DECEMBER 2008

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 2008/9; summarised below:

2007/8		FULL YEAR WORK PLAN DETAILS	2008/9	
DAYS	%		Days	%
1,401	60	Systems/probity (incl computer, contract , council strategic)	1,633	66
951	40	Irregularity/consultancy requiring urgent attention	847	34
2,352	100	TOTAL	2,480	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 31.12.08	Actual days for year	%
Available weekdays	3,242	2,400	2,400	
Less: allowances:				
Leave, bank holidays	(-) 427	(-) 292	(-) 292	
Administration	(-) 149	(-) 112	(-) 103	
Contingency/other lost time (inc sickness)	(-) 90	(-) 68	(-) 145	
Vacancies	-	-	(-) 454	
Training & development	(-) 96	(-) 72	(-) 35	
SUB TOTAL	2,480	1,856	1,371	
Time allocation:				
Systems/probity	1,633	1,224	779	57
Irregularity/consultancy	847	635	589	43
TOTAL	2,480	1,859	1,368	100

The Appendix shows that although 1,856 net productive days were estimated to be available, actual days were 485 less, at 1,371 days. This was due to unbudgeted sickness/medical appointments (15 days), compassionate/special leave (8 days), higher contingency / admin (38 days), vacancies (454 days), industrial action (7 days) but was offset by a reduced training requirement to date (37 days).

Staffing

The service's establishment currently comprises 14 posts. The structure and team responsibilities are shown at **Appendix 3**. One principal auditor resigned wef 10 September 2008 and an audit assistant resigned wef 30 November 2008. The service also carries 2 vacant full time and 1 part time auditor positions (2.5). A temporary audit assistant was appointed wef 1 December 2008.

Adverts have been placed and interviews held, where possible, for permanent principal and auditor positions. This also included the new auditor post responsible for follow up / progressing 3* high priority agreed actions. Assistance with potential candidates was

also sought from Starting Point. The exercises were not successful. Adverts will shortly be placed again for all vacant positions.

A good deal of the work which would normally be undertaken by the vacant internal auditor positions has been allocated to our audit partner.

Audit Work Allocation and Charging Basis

In January 2008 proposed work programmes and charges for 2008/9 were sent to executive directors and other senior managers. During February and March 2008 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 third year of this contract continues.

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 slightly lower than anticipated number of irregularity/fraud inquiries and consultancy requests during the period and although the 2008/9 plan had 847 days (635 pro rata for the 9 months) for irregularity / consultancy work, to the 31 December 2008, 589 days have been charged (46 less).

Probity/Systems Work

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 five projects; IT strategy & governance, software licensing, network strategy & services, back up strategy & procedures and SX3 (benefits). Most projects have commenced and draft reports issued.

Contract Audit

13 final accounts with a value of just over £9.1m were cleared during the period. 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 additional time charged relates to staff instruction to new auditors and time spent on auditor recruitment.

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 339 suggested actions made all but one 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 disappointingly remained just below 80% over the last 2 years. A level of 84% has been achieved for the current year to date although few reports have been finalised. Arising from the Committee's concerns in this area, further actions have been agreed with a view to improving performance to the recently agreed levels of 100% for 3* actions and 95% for 1* and 2* actions. As stated earlier, appointment to the new auditor position to assist in following up 3* high priority actions has not yet been possible.

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

Training & Development

An auditor has commenced her CIPFA 2nd year.

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 corporate services equalities board and has achieved 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 2008/09

	Team 1	Team 2	Comp Audit	CIA	Grand Total
Available days	<u>1,305</u>	<u>1,566</u>	<u>110</u>	<u>261</u>	<u>3,242</u>
Allowances					
Annual Leave	133	156	-	30	319
Bank Holidays	45	54	-	9	108
Sub Total (a)	<u>178</u>	<u>210</u>	<u>-</u>	<u>39</u>	<u>427</u>
Administration	20	20	-	109	149
Contingency	53	36	-	1	90
Training – Post Entry	24	12	-	-	36
- Other	25	30	-	5	60
Sub total (b)	<u>122</u>	<u>98</u>	<u>-</u>	<u>115</u>	<u>335</u>
PLAN DAYS AVAILABLE	<u>1,005</u>	<u>1,258</u>	<u>110</u>	<u>107</u>	<u>2,480</u>
Allocation :					
FR6/Unplanned	384	400	-	63	847
Systems	544	439	-	14	997
Regularity	56	265	-	20	341
Computer	-	-	110	-	110
Contracts	-	120	-	-	120
Council Strategic	21	34	-	10	65
TOTAL	<u>1,005</u>	<u>1,258</u>	<u>110</u>	<u>107</u>	<u>2,480</u>

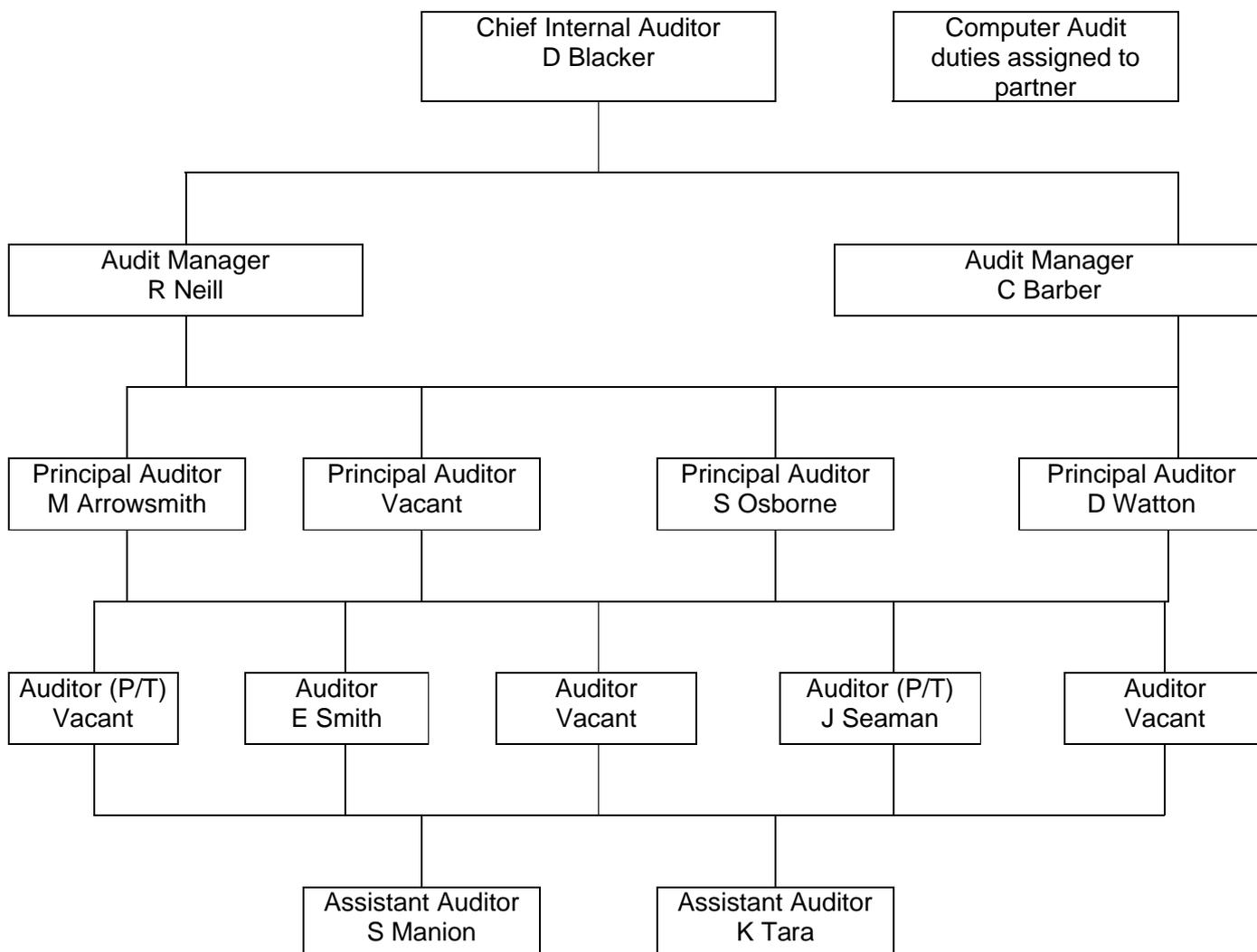
INTERNAL AUDIT– AUDIT ACTUAL TIME – NINE MONTHS ENDING 31 DECEMBER 2008

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)	985	1,179	197	39	2,400	3,242	2,400	-
Less:								
Annual Leave	100	98	18	-	216	319	216	-
Bank Holidays	34	34	8	-	76	108	76	-
Elections	-	-	1	-	1	1	1	-
Compassionate Leave	-	4	-	-	4	-	-	(-) 4 loss
Industrial Action	-	7	-	-	7	-	-	(-) 7 loss
Special Leave	1	3	-	-	4	-	-	(-) 4 loss
Vacancies	178	276	-	-	454	-	-	(-) 454 loss
Sickness/Medical Appointments	11	4	-	-	15	-	-	(-) 15 loss
Administration	12	24	67	-	103	149	112	9
Contingency	60	54	-	-	114	89	67	(-) 47 loss
Training - Post Entry	21	-	-	-	21	36	27	6
- Other	6	7	1	-	14	60	45	31
Sub Total (b)	423	511	95	-	1,029	762	544	(-) 485 loss
Plan days available (a) - (b)	562	668	102	39	1,371	2,480	1,856	485 less days available
Comprising:								
Unplanned	270	251	68	-	589	847	635	46
Systems/Regularity/VFM	282	325	44	-	651	1,403	1,051	400
Computer	2	9	1	39	51	110	83	32
Contract	0	75	2	-	77	120	90	13
GRAND TOTAL	554	660	115	39	1,368	2,480	1,859	491 less days available

INTERNAL AUDIT

1) Establishment and 2) Team Responsibilities - 31 December 2008



2) Committee/Service Area Responsibilities

Team 1:

- Finance
- Revenues & Benefits
- Performance
- Legal Services (inc democratic)
- Strategic Transformation
- Specialist Services
- Communications
- Adult Services
- Housing Services
- ICT
- Walsall Partnership

Team 2:

- Planning & Building Control
- Delivery & Development
- Strategic Regeneration
- Property Services
- New Deal
- Built Environment
- Safer Walsall Borough Partnership
- Neighbourhood Partnership & Programmes
- Leisure Culture & Lifelong Learning
- Education Client/Schools
- Universal Services
- Procurement
- Contract
- Computer

Ongoing	Draft	Final	Date of Final Report	Recommendations					Date of Last Audit	Conclusions
				Current Made	Agreed	Agreed	Act'd	Not Due		
Adult Services		Allens Centre Learning Disabilities Team *	27.06.08	30	30	-	-	-	-	Internal audit is able to give a limited assurance opinion on the system of internal control operating within Allens Centre Disabilities Team. A number of good practices were noted during the audit, including those in relation to general procedures and performance management. Some areas for improvement have been identified, including qualification for service provision, procurement, security, and inventory.
		Broadway North Learning Disabilities Team *	11.08.08	28	28	-	-	-	-	Internal audit is able to give a limited assurance opinion on the system of internal control operating within Broadway North Learning Disabilities Team. A number of good practices were noted during the audit, including: contributions / board & lodge payments from clients, procurement and budget monitoring. Some areas for improvement have been identified, including processes regarding qualification for service provision, clients' property & savings, staff records, security, inventory and petty cash. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.
		Built Environment Business Continuity Process (Emergency Planning)	Coroner *	24.07.08	20	20	-	-	-	-

Ongoing	Draft	Final	Date of Final Report	Recommendations					Date of Last Audit	Conclusions
				Current		Previous				
				Made	Agreed	Agreed	Act'd	Not Due		
PFI Streetlighting										
Bereavement Services										
Car Parking										
Schools										
Alumwell Infants		North Walsall JMI	17.11.08	17	17	-	-	-	-	Compliant with FMSiS.
Barcroft JMI										
Beacon JMI										
Bloxwich JMI										
Butts JMI										
Caldmore JMI										
Elmore Green JMI										
Fibbersley JMI										
Green Rock JMI										
Greenfield JMI										
Holy Trinity Infants										
King Charles JMI										
Kings Hill JMI										
Leamore JMI										
Lodge Farm JMI										
Manor JMI										
Meadow View JMI										
Millfield JMI										
Moorcroft Wood JMI										
Mossley JMI										
New Invention Infants										
Park Hall Infants										
Radleys JMI										
Rough Hay JMI										
Salisbury JMI										
St Giles JMI										
St James JMI										
St Marys the Mount JMI										
St Patricks JMI										
Walsall Wood JMI										
Whitehall Junior										
Finance										
Treasury Management										
Income Management System										
Council Tax / NNDR										

Ongoing	Draft	Final	Date of Final Report	Recommendations					Date of Last Audit	Conclusions
				Current		Previous				
				Made	Agreed	Agreed	Act'd	Not Due		
Insurance Nominal Ledger & Central Accounting Bank Account Reconciliations <u>Strategic Regeneration</u> Markets <u>Strategic Transformation</u> Health & Safety		Accounts Payable (Creditors) *	15.07.08	18	18	38	27	3	2006/07	Internal audit is able to give a significant assurance opinion on the system of internal control operating within accounts payable. A number of good practices were noted during the audit, including those in relation to system security, receipt of goods, urgent payments, Bacs controls, cheque procedures, reconciliation to the general ledger, the allocation of financial codes, document disposal and data protection. Some areas for improvement were also identified, including processing of credit notes, ensuring requisitions and corresponding orders are raised prior to the receipt of goods/works/services, ensuring invoices are promptly paid, putting in place amended procedure notes to reflect the creation of the consolidated creditors team and ensuring the production and review of appropriate exception reports. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken. There have been significant operational changes since the last audit due to the transformation of the accounts payable function and creation of the 'Consolidated
Creditors		Personnel Services *	09.07.08	11	11	-	-	-	-	Internal audit is able to give a significant assurance opinion on the system of internal control operating within Personnel Services. A number of good practices were noted during the audit, including; the existence of a robust and comprehensive personnel guidance manual, a formal risk assessment undertaken of the HRD transformation process; staff consultation conducted on the revised HRD organisational structure; a formal review process for HRD policies and feedback arrangements and also the inclusion of trade unions at the outset when developing HRD policies. The review has also highlighted some areas for improvement including, the need to establish and have in place a formal business/continuity plan; the need to document the day to day office duties of Personnel Officers in procedure notes and formalise a file structure; and ensure that adequate supporting evidence is available to justify all requisite steps, in the development of personnel policy / guidance.
Debtors Training & Development										

Ongoing	Draft	Final	Date of Final Report	Recommendations					Date of Last Audit	Conclusions
				Current Made	Agreed	Agreed	Previous Act'd	Not Due		
Planning & Building Control										
Planning										
Delivery & Development										
Regeneration - Delivery & Development										
Walsall Partnership										
LAA										
Neighbourhood Partnerships & Programmes										
Local Neighbourhood Partnerships										
Equalities Review										
Safer Walsall Borough Partnership										
Safer Communities - CDRP										
Leisure Culture & Lifelong Learning										
Catering Establishment	Sports & Leisure Development	College of Continuing Development	10.10.08	12	12	10	8	-	2001/02	Internal audit is able to give full assurance opinion on the system of internal control operating within the College of Continuing Education. A number of good practices were noted during the audit, including; service planning processes and good systems to identify poorly performing courses and initiate improvement plans; having a robust corporate performance management framework in place whereby areas such as performance, IPMs and communication are of a high standard, staff awareness of College processes and procedures; grant income being maximised by ensuring required performance targets are met and the College seeking to continually develop its educational provision by ensuring that service promotion is optimised. Some areas for improvement have been identified, including enhanced reporting to governors and the need for senior council officers to review delegations having regard to the merger with Walsall Community College. Of the 10 agreed actions which remain applicable from the last audit report issued in October 2001, 8 had been fully implemented at the time of this audit. The 2 unimplemented, or partially implemented, actions have been
Parks, Play Areas & Green Spaces (inc green strategy)										
Forest Arts Centre										
Specialist Services	Parents in Partnership									
Childrens Fund										
Housing Services										
Regional Housing Pot										
Communications										
Marketing / Corporate Relations										

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<u>Procurement</u> Commissioning <u>Council Strategic</u> FOIA and DPA <u>All</u> Recruitment & Selection	Inventories / Stocks - Fleet / Fuel	Capital Accounting	07.07.08	3	3	6	6	-	2007/08	Internal audit is able to give a full assurance opinion on the system of internal control operating within capital accounting. A number of good practices were noted during the audit, including those in relation to general procedures, asset additions and disposals. Minor areas for improvement were identified including the miscalculation of a notional interest charge; the need to give a clear working paper to exemplify balancing depreciation and notional interest to Oracle; and for the issue of inclusion of foundation schools on the fixed asset register to continue to be investigated and resolved. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.
Service Planning	Inventories / Stocks - Bloxwich Leisure Centre	Sickness Management	07.11.08	25	25	3	2	-	2004/05	While internal audit is able to give a significant assurance opinion on the system of internal control operating within HRD for sickness management, managers' lack of compliance to the council's sickness absence policy mean an overall limited assurance opinion. A number of good practices were noted during the audit within HRD including the management of sickness absence policy which is accessible to all staff on the intranet; the monitoring and reporting of sickness absences to directorate boards and CMT; and the introduction of the sickness absence portal on HRD direct to enable managers to record and monitor sickness absence online. A number of areas for improvement have been identified, specifically with regard to managers' compliance with the management of sickness absence policy for both short and long term sickness absences, for example, in obtaining doctor's notes from employees where necessary, evidence of completion of return to work interviews and issuing of notice of concerns. Some areas for improvement were noted within HRD regarding the accuracy of information on TRENT and

Ongoing	Draft	Final	Date of Final Report	Recommendations					Date of Last Audit	Conclusions
				Current		Previous				
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Individual Performance Management		Inventories / Stocks - Building Cleaning	28.11.08	7	6	-	-	-	-	Internal audit is able to give significant assurance opinion on the system of internal control operating within Building Cleaning PSE. A number of good practices were noted during the audit, including; the maintenance of robust and regularly updated procedure notes, suitably restricted access to the inventory, new employee training on stock handling and up to date and verified inventory records. Some areas for improvement have been identified, including accounting for out of hours access for stores, the accuracy of descriptions on store records, and ensuring that there is adequate separation of duties between ordering of items and subsequent invoice payment.
Inventories / Stocks - New Art Gallery Customer Experience / Consultation & Engagement Grant Income Risk Management - Corporate System Payroll Computer Audit	Network Strategy & Services	SX3	03.11.08	1	1	16	16	-	2005/06	Internal audit is able to give a significant assurance opinion on the system of internal control operating within the Sx3 IT application . A number of good practices were noted during the audit, including; <ul style="list-style-type: none"> • the revenues and benefits systems team provides an effective application administration function which is supported, under contract, by the third party vendor company Northgate; • extensive application administration and support documentation is available to both administrators and system users; • schedules and time tables have been established for all workflow processes; • an audit trail facility is provided by the application and parameters have been set to report relevant events and changes to sensitive types of data; • reports are produced in a timely manner to support the management, administration and operation of revenues and benefits sections; and • the system procedures library and the Sx3 application and data are backed up on a daily basis. Some areas for improvement have been identified, including: <ul style="list-style-type: none"> • segregation of duties between operational processing and system administration The prompt implementation of actions contained within this audit report will fu
	Back Up Strategy & Procedures									

Ongoing	Draft	Final	Date of Final Report	Recommendations					Date of Last Audit	Conclusions
				Current		Previous				
				Made	Agreed	Agreed	Act'd	Not Due		
Contract Audit										
	Contracts with Major Contractors *	Croft Street Changing Rooms	14.10.08	6	6	-	-	-	-	Internal audit is able to give a significant assurance opinion on the system of internal control operating within the contractor's final account for Croft Street Changing Rooms. Some good practices were noted during the audit, including; documented appointment of consultants, appropriate authority to procure and to accept the tender, the use of a tender registration form, inclusion of insurance, race relations and health and safety documents, certification of practical completion and making good of defects, and a quantity surveyor's final account. A number of areas for improvement have been identified, including; documentation of the extension of time for the contractor to complete the works, and evidencing of some valuations, failure to execute the contract under seal and failure to certify the extension of time or the calculations of additional money due to the contractor.
	Streetly School	Leighswood Children's Centre	14.10.08	20	20	-	-	-	-	Internal audit is able to give no assurance opinion on the system of internal control operating within the contractor's final account for Leighswood Children's Centre. Some good practices were noted during the audit, including; the use of a tender registration form, evidencing and pricing of all valuations and provision of a quantity surveyor's final account. A number of areas for improvement have been identified, including; need to obtain authority to procure or to accept the tender, failure to appoint the contractor within the time that his tender is valid, failure to provide a surety, failure to evidence insurance cover, lack of race relations, health and safety or contract design and management (CDM) documentation, failure to execute the contract under seal, and failure to provide a timely agreed final account.
	New Invention Junior	Alterations to Moorcroft Wood JMI	14.10.08	13	13	-	-	-	-	Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for Alterations to Moorcroft Wood Primary School. Some good practices were noted during the audit, including; obtaining a cabinet approval, the use of a tender registration form, inclusion of the contractor's insurance and health and safety documents, documentation of the extension of time for the contractor to complete the works, provision of certificates to evidence practical completion and making good of defects, and agreement of a final account prepared by a quantity surveyor. A number of areas for improvement have been identified, including; failure to evidence the process used for the architect's selection and appointment, failure to evidence a Director's approval for the tendering process. failure formally to accept the contractor's reduced tender, absence of a surety, failure to provide a contractor's race relations, or CDM documentation, absence of a contract executed under the council's seal, presenting the final account to the auditor some six months after

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	Pier Street, Brownhills	Darlaston Sure Start (Ilmington House)	14.10.08	11	11	-	-	-	-	Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for Darlaston Sure Start (Ilmington House). Some good practices were noted during the audit, including; cabinet received a report prior to the project's commencement and delegated acceptance of tender to the appropriate officer, a capital finance report was compiled and approved, a tender registration form was used, a formal tender evaluation report was received, a surety was obtained, a contract has been made under the council's seal, additional work and work to be omitted was covered by signed architect's instructions, the final account was agreed with the contractor, the quantity surveyor has produced a detailed final account. A number of areas for improvement have been identified, including; there is no evidence of competition for the architect's commission, despite this being in excess of £50,000, there is no evidence of a formal acceptance of the tender, delays in appointing the contractor led to additional money being paid to him, making g
	Maintenance of Highways Structures 2003/08 *	Busil Jones JMI	14.10.08	22	22	-	-	-	-	Internal audit is able to give a no assurance opinion on the system of internal control operating within the contractor's final account for Busil Jones Primary School. Some good practices were noted during the audit, including; the use of a tender registration form, inclusion of health and safety documents, documentation of the extension of time for the contractor to complete the works, and evidence of all valuations. A large number of areas for improvement have been identified, in particular; need to obtain authority to procure or to accept the tender, failure to evidence race relations and CDM requirements being followed, failure to execute the bond or contract under the council's seal, and failure to provide a timely agreed final account.
	Piper Construction Midlands *	New Invention Infants	14.10.08	20	20	-	-	-	-	Internal audit is able to give a no assurance opinion on the system of internal control operating within the contractor's final account for New Invention Infants School. Some good practices were noted during the audit, including; the use of a tender registration form, inclusion of insurance, health and safety and equalities documents, documentation of the extension of time for the contractor to complete the works, and preparation of the final account by the Quantity Surveyor. A large number of areas for improvement have been identified, in particular; need to obtain authority to procure or to accept the tender, failure to evidence CDM requirements being followed, failure to execute the contract under the council's seal, and failure to provide a timely agreed final account.

Ongoing	Draft	Final	Date of Final Report	Recommendations					Date of Last Audit	Conclusions
				Current		Previous				
				Made	Agreed	Agreed	Act'd	Not Due		
	Prudential Highways Maintenance Works - Birse Civil Engineering Ltd *	Advanced Contracts (Midlands) *	07.07.08	10	10	-	-	-	-	Internal audit is able to give only a limited assurance opinion on the system of internal control operated in relation to work allocated to this contractor by the Council's managers . Some good practices were noted during the audit, including; the seeking of quotations and tenders for planned maintenance works, issuing of letters of appointment where tenders have been received, and the use of the certification stamp on the contractor's invoices. A number of areas for improvement have been identified, including; lack of a contract made under the Council's seal, current insurance cover or health and safety documentation, and the inefficient way in which the contractor's invoices are treated.
		Brownhills Asphalte Tarmacadam / Global Glass *	15.07.08	8	8	-	-	-	-	Internal audit is able to give only a limited assurance opinion on the system of internal control operated in relation to work allocated to these contractors by the Council's managers. Some good practices were noted during the audit, including; seeking of quotations and tenders for planned maintenance works, current insurance cover and health and safety documentation is maintained, letters of appointment are used where tenders have been received, control of works by appropriate staff, and completion of the certification stamp on contractors' invoices. A number of areas for improvement have been identified, including; inability to demonstrate rotation of firms on the unified standing list, lack of a contracts made under the Council's seal, failure to place orders on the i-Procurement system for reactive work, inefficient practices in handling contractors' invoices, and failure to create budgets for the anticipated value of works. Concerns similar to those raised in this report have been found within other reviews undertaken in the recent past. Senior managers have confirmed their intention to ensure such weaknesses are not
		Aston Rose *	07.07.08	2	2	-	-	-	-	Internal audit is able to give a full assurance opinion on the system of internal control operated in relation to work allocated to this contractor by the Council's managers. Several good practices were noted during the audit, including; use of negotiations with the agent to obtain the best possible terms for leases, production of reports seeking authority from appropriate officers, creation and safekeeping of documents, monitoring of all leases for accommodation, and payment of leases by user departments. Two areas for improvement have been identified; the absence of a report to the then executive management team after urgent action had been taken, and the need to ensure services using the accommodation make payments at the time set out in the leases.

Ongoing	Draft	Final	Date of Final Report	Recommendations					Date of Last Audit	Conclusions
				Current		Previous				
				Made	Agreed	Agreed	Act'd	Not Due		
		Lindens JMI - Special Needs Facilities *	05.06.08	13	13	-	-	-	-	Internal audit is unable to give any assurance on the system of internal control operating within the contractor's final account for Special Needs Facilities at Lindens Primary School. Some good practices were noted during the audit, including; creation of architect's instructions, creation of appropriate certificates, and receipt of a contractor's final account. A number of areas for improvement have been identified, including; obtaining appropriate authority to procure, obtaining competitive tenders, correct use of the Council's "urgency" procedure, provision of a surety, and completion of certificates and final accounts in a timely manner.
		Blakenall Village Improvements	14.10.08	5	5	-	-	-	-	Internal audit is able to give a significant assurance opinion on the system of internal control operating within the contractor's final account for Blakenall Village Improvements . Some good practices were noted during the audit, including; the use of a tender registration form, detailed evidence to show the choice of contractor, inclusion of race relations and health and safety documents, documentation of the extension of time for the contractor to complete the works, detailed evidence supporting the selection and employment of a replacement contractor to complete remedial works. A number of areas for improvement have been identified, including; failure to obtain appropriate authority prior to commencing procurement of the works. no evidence to support the choice of firms from whom tenders were sought, failure to evidence insurance cover being in place throughout the whole of the contract period, failure to execute the contract under seal, and failure to show the method by which variations have been valued.
		Greenfields JMI	14.10.08	9	9	-	-	-	-	Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for Greenfields Primary School. Some good practices were noted during the audit, including; the use of a tender registration form, inclusion of health and safety and construction design and management (CDM) documents, documentation of the site meetings and progress of the project, and provision of a quantity surveyor's final account. A number of areas for improvement have been identified, including; need to obtain authority to procure or to accept the tender, failure to evidence insurance cover being in place throughout the whole of the contract period, failure to provide a race relations certificate, failure to execute the contract under seal, and failure to evidence the additional payment to the contractor for extra preliminaries. Council officers have undertaken this project for Serco, its education provider and partner. Although the cabinet received reports, there is no evidence of officers obtaining a director's written approval to seek tenders. An Executive

Ongoing	Draft	Final	Date of Final Report	Recommendations					Date of Last Audit	Conclusions
				Current		Previous				
				Made	Agreed	Agreed	Act'd	Not Due		
		New Nursery - Dangerfield Lane	16.12.08	11	11	-	-	-	-	Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for New Nursery - Dangerfield Lane, Darlaston. Some good practices were noted during the audit, including; the use of a tender registration form and a formal tender evaluation report, inclusion of insurance, health and safety and equalities documents, documentation of the extension of time for the contractor to complete the works, and preparation of the final account by the Quantity Surveyor. A large number of areas for improvement have been identified, in particular; need to obtain authority to procure the works and to accept the tender, some instructions to the contractor were dated after the works were certified to have been made good, failure to produce all payment certificates, and failure to provide a timely agreed final account.
		Stroud Avenue Children's Centre	16.12.08	17	17	-	-	-	-	Internal audit is able to give a no assurance opinion on the system of internal control operating within the contractor's final account for Stroud Avenue Children's Centre. Some good practices were noted during the audit, including; the use of a tender registration form, a formal report on tenders was received from the quantity surveyor, inclusion of insurance, health and safety and equalities documents, documentation of the extension of time for the contractor to complete the works, and preparation of the final account by the quantity surveyor. A large number of areas for improvement have been identified, in particular; need to obtain authority both to procure and to accept the tender, no evidence of the means by which firms were selected to tender, failure to evidence CDM requirements being followed, absence of a surety, failure to execute the contract under the council's seal, a number of architect's instructions were missing, an architect's instruction was written over two years after works were complete, a large value of additional work has been undertaken, and failure to provide a timely agreed final account.
Totals				339	338	73	59	3		
Total Percentage					100%		84%			

* 2007/2008 audits carried forward into 2008/2009
 Report selected by committee

06.02.09

Compatibility Report for Quarterly Reports Dec 07.xls
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INTERNAL AUDIT

QUALITY TARGETS/PERFORMANCE INDICATORS – NINE MONTHS ENDING 31 DECEMBER 2008

Quality Targets/PI's (e.g. Response Time)	% Target	% Achieved 2008/09	% Achieved 2007/08	% Achieved 2006/2007	% Achieved 2005/2006	% Achieved 2004/2005
Audits completed within planned time	95	100	95	96	95	95
Spending within budget	100	100	100	100	100	100
Productivity rate	65	Est 65	69.2	73.1	74.2	70.1
Audit plan achievement	95	Est 95	96.9	96.0	96.2	95.1
Report issued within 10 working days of exit meeting	80	100	97	84	92	94
Actions agreed	95	100	99	98	98	98
Returned customer questionnaires to show satisfaction	95	100	100	100	100	100
Overall perception of quality of service from Council wide Internal Audit survey	95	-	-	96	-	-

Note

- The service has for some time participated in the CIPFA national benchmarking club which enables comparison specifically with all similar type authorities (unitaries / metropolitan districts).

For Information

Actions confirmed as actually implemented at next audit visit	3* 100 2* 95	84	78	79	74	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 the achievement level.