Agenda Item No. 12

Audit Committee – 27 July 2020

Annual Internal Audit Report 2019/20 and Head of Internal Audit Opinion

1. Summary of report

1.1 To present Internal Audit's Annual Report and Opinion on the Council's internal control environment 2019/20 to the Audit Committee.

2. Recommendations

2.1 That Audit Committee note the contents of this report.

3. Background

3.1 This annual report covers the work we have undertaken for the year ended 31st March 2020, and incorporates our audit opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

4. Resource and Legal Consideration

4.1 The Accounts and Audit Regulations 2015 came into effect on 1st April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS) or guidance. The PSIAS requires that Internal Audit provide an annual report to the Audit Committee timed to support the Annual Governance Statement. This report meets that requirement.

5. Citizen Impact

5.1 This report reinforces the protection to the Council and its officers in respect of the robustness of the internal control environment and is an integral part of the assurance provided to citizens and other stakeholders on the security of the Council's activities and operations.

6. Performance and Risk Management issues

6.1 Part of Internal Audit's role is to provide assurance in the Council's performance and risk management arrangements. Internal Audit's programme of work is risk assessed to ensure areas most at risk are examined as a priority.

6.2 Regular updates were provided to Audit Committee on progress against the approved Internal Audit Plan for 2019/20. The Internal Audit contract is subject to key performance indicators (KPI's) including achievement of the audit plan and formal quarterly meetings are held between the Interim Director of Finance, Corporate Performance Management and Corporate Landlord, the Interim Head of Finance – Corporate and senior representatives at Mazars to monitor performance of the contract.

6.3 The final KPI performance for 2019/20 is detailed below.

Standard	Target	Actual as at 31/03/20
Achieve the Annual Audit Plan	100% audits in the annual plan to be completed to draft report stage within 15 working days of the 31 March of each year.	43/45 96% Exceptions: **Budgetary Control & Federation Schools Governance**
Produce annual report which includes an overall assurance opinion for the Council for the year.	To be produced and issued to the Chief Finance Officer within 15 working days from 31 March each year.	Completed
Annual review and report on the effectiveness of the risk management strategy and its application with comments and recommendations for changes.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	Ongoing Risk Management work with the Council
Annual risk management report which provides assurance that the system of risk management and identification is suitable and sufficient for the purposes of the Annual Governance Statement.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	Ongoing Risk Management work with the Council
Effective completion of audit work.	100% draft reports, which include relevant recommendations, are issued within 6 weeks of the commencement of work.	32/45 71% Exceptions: **Apprenticeships, National Funding Formula, Schools Capital Programme, Saddlers Centre Management, Homelessness, Supplier Resilience, Accounts Payable, Accounts Receivable, Adult Social Care Caseloads, Main Accounting, Budgetary Control, Cyber Security, Social Media Policies & Procedures.**
Achieve performance of quarterly audit work plan	100% expected audits in the quarterly plan to be completed to draft report stage within15 working days of last day of quarter	39/45 87% Exceptions: **New Art Gallery, National Funding Formula, HB& CTAX Benefits, Kings Hill Primary, Budgetary Control, Federation Schools' Governance**

Standard	Target	Actual as at 31/03/20
Produce quarterly progress report in accordance with the specification.	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Met for all quarters
Produce a quarterly risk management update report	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Strategic Risk Register updates regularly presented to CMT and Audit Committee. Risk sessions across the Council ongoing
Quarterly review of Strategic Risk Register (SRR) and report for Corporate Management Team and Audit Committee	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Strategic Risk Register updates presented to CMT and Audit Committee. Most recent update to Audit Committee scheduled for 27th July

6.4 The reasons for areas of variance, and any actions required / being taken to address these, are set out below:

- **Achieve the Annual Audit Plan** – Two audits were not completed by 31/03/20, both due to the impact of Covid-19 and the ability to follow up with schools, however both audits were subsequently completed in April.

- **Effective completion of audit work** – Although all reports have been issued, 71% of draft reports were issued within 6 weeks as set out in the standard. There were a number of reasons for this, with circa 40% being due to availability of council staff to provide input required to complete the audit, circa 30% due to internal process changes or staff turnover within Mazars and the remainder mainly due to the impact of Covid-19 and the complexity of some of the IT audits taking longer to complete than 6 weeks.

  With regard to the change of processes and turnover within Mazars, no further changes are expected in 2020/21, therefore there is expected to be no impact arising from this going forward.

  In terms of availability of Council staff, terms of reference are agreed with service areas prior to audits commencing which confirm the scope and length of the audit and input required from officers. As such where audits commence and Council staff are not providing the required level of input this will now be formally escalated to the relevant Head of Service or Director going forward to avoid these delays.

- **Achieve performance of quarterly audit work plan** – the variance to the KPI in this area is mainly due to the fact that where work is commenced within the final few weeks of any quarter, the KPI as measured (where the completion to draft report stage is required within 15 working days of last day of quarter) would only effectively allow 3-4 weeks for completion, rather than the standard 6 weeks that is measured / required in the annual KPI. All audits not completed within 15 days of the quarter end have subsequently been completed during the following quarter. This KPI measure will be reviewed as part of the commencement of the new contract.

6.5 The following table sets out the Performance Standards against which the success of the contract is measured. Performance has been maintained in most areas.

Standard	Target	Actual as at 31/03/20
Notification of planned audits to Secondary Clients. (Not surprise visits).	Secondary Clients to be notified of the start date of each audit (100%) at least 15 working days in advance.	45/45 100%
Issue audit brief.	100% of audit briefs to be submitted to the Secondary Client for comment and approval at least 10 days prior to commencement date of each audit.	45/45 100%
Conduct exit meetings.	100% to be carried out with Secondary client or their representative within 5 days of the completion of all audit work at a pre arranged time, as specified in the audit brief.	45/45 100%
Produce draft report, which reflects the agreed brief.	100% to be produced and issued by the date set out in the terms of reference and within 10 working days of the exit meeting.	33/45 73% Exceptions: **Apprenticeships, NFF, Saddlers Centre Management, Accounts Receivable, Main Accounting, St Thomas of Canterbury, King's Hill Primary, Radley's Primary, Whitehall Infants, Holy Trinity Primary, Social Media Policies & Procedures, Cyber Security.**
Produce final report.	100% to be produced and issued with 5 working days of receipt of management response to draft report.	41/43 95% Exceptions: **Barcroft Primary School & Troubled Families**
Complete National Fraud Initiative (NFI) data matching exercise.	Ensure that all data matches are reviewed and investigated on an annual basis in accordance with the timetables provided.	2018/19 data matches reviewed and investigated
Counter fraud work	To maintain and update counter fraud policies, the counter fraud toolkit, training and other counter fraud work as agreed in advance with the Chief Finance Officer.	Ongoing as required
Follow up on all high priority actions	Reports produced in accordance with timetables set out in the Specification.	Ongoing and progress reported to each Audit Committee

Standard	Target	Actual as at 31/03/20
Specialist IT / risk audits	Quarterly report detailing percentage of time of qualified or specialist staff utilised in delivery of the audit and risk work undertaken during the quarter	Completed as part of monitoring information
Respond to unsatisfactory client satisfaction questionnaires/CMT feedback	To be provided to the Chief Finance Officer within 10 working days	N/A
Attendance at planned meetings with both the Chief Finance Officer and external audit as detailed throughout this specification.	Meetings attended by Contract Manager	Ongoing
Attend the Audit Committee meetings in accordance with the Audit Committee Work Programme and Timetable	Meetings attended by Partner or Director or Contract Manager	Ongoing
Provision of audit helpline	Summary of advice provided, to be submitted to chief Finance Officer prior to discussion at quarterly meetings.	Completed as part of monitoring information
Provision confidential reporting hotline answer phone facility.	Summary of calls received and action taken to be submitted to chief Finance Officer prior to discussion at quarterly meetings.	None received
Quality control system	Copy to be provided to Chief Finance Officer on an annual basis	Provided
Compliance with the PSIAS via external accreditation	To provide evidence of the external accreditation	External Assessment completed in 2019 and results shared with Council.
Provide training for Council Officers, Project Managers and Members in the principles and practices of Risk Management	Provision of training as agreed by the Chief Finance Officer	Member training before Audit Committees
Audit and Risk Training Programme	To provide a copy to the Chief Finance Officer on an annual basis	Updated as part of strategy review in December 2018. Next review December 2020

6.5 The reasons for areas of variance, and any actions required / being taken to address these, are set out below:

- **Produce draft report, which reflects the agreed brief** – The delays set out are in the main in relation to changes in Mazars processes during the year, with an extra layer of review added. However these changes have now been revised and there is not expected to be any further ongoing impact. Overall the average number of days to provide a draft from the date of the exit meeting was 9.91, therefore the average performance across all audits has remained within 10 days.

- **Produce final report** - The delays set out are in the main in relation to changes in Mazars processes during the year, with an extra layer of review added. However these changes have now been revised and there is not expected to be any further ongoing impact. Overall the average number of days to provide a final report was 3.07, therefore the average performance across all audits has remained within 5 days.

6.6 The Following table reports on performance trends over the four years of the Internal Audit contract and shows strong performance and significant improvement in many areas. Where there has been a downward trend the reasons for this are set out within the feedback on KPI and Performance Standards above.

Standard	Target	Actual 16/17	Actual 17/18	Actual 18/19	Actual 19/20	Trend
Achieve the Annual Audit Plan	100% audits in the annual plan to be completed to draft report stage within 15 working days of the 31 March of each year.	41/49 84%	39/49 80%	57/57 100%	43/45 96%	↓
Effective completion of audit work.	100% draft reports, which include relevant recommendations, are issued within 6 weeks of the commencement of work.	31/49 63%	32/49 65%	50/57 88%	32/45 71%	↓
Achieve performance of quarterly audit work plan	100% expected audits in the quarterly plan to be completed to draft report stage within 15 working days of last day of quarter.	41/49 84%	33/49 67%	55/57 96%	43/45 96%	↔
Notification of planned audits to Secondary Clients. (Not surprise visits).	Secondary Clients to be notified of the start date of each audit (100%) at least 15 working days in advance.	49/49 100%	48/49 98%	56/57 98%	45/45 100%	↑
Issue audit brief.	100% of audit briefs to be submitted to the Secondary Client for comment and approval at least 10 days prior to commencement date of each audit.	49/49 100%	44/46 96%	57/57 100%	45/45 100%	↔

Standard	Target	Actual 16/17	Actual 17/18	Actual 18/19	Actual 19/20	Trend
Conduct exit meetings.	100% to be carried out with Secondary client or their representative within 5 days of the completion of all audit work at a pre arranged time, as specified in the audit brief.	49/49 100%	44/44 100%	57/57 100%	45/45 100%	⇔
Produce draft report, which reflects the agreed brief.	100% to be produced and issued by the date set out in the terms of reference and within 10 working days of the exit meeting.	27/49 55% **Average time to issue for 49 audits is 18.5 days**	36/44 82% **Average time to issue for 44 audits is 10.5 days**	47/57 82% **Average time to issue for 57 audits is 7.8 days**	33/45 73% **Average time to issue for 45 audits is 9.9 days**	↓
Produce final report.	100% to be produced and issued with 5 working days of receipt of management response to draft report.	32/38 84% **Average time to issue for 32 audits is 5.6 days**	34/39 87% **Average time to issue for 39 audits is 3 days**	55/56 98% **Average time to issue for 55 audits is 2.4 days**	41/43 95% **Average time to issue for 45 audits is 3.1 days**	↓

6.7 Regular updates will be provided to Audit Committee on progress against the approved Internal Audit Plan for 2020/21.

7. Equality Implications

7.1 Internal Audit has full regard to equalities both within the internal audit service and in the services / activities under review.

8. Consultation

8.1 The annual work plan 2019/20 was consulted upon before its final endorsement by the Audit Committee, senior managers and with executive directors, including the

S151 Officer. All audit reports are subject to an appropriate level of consultation before being finalised.

9. Background Papers

9.1 Internal Audit reports.

Vicky Buckley - Interim Director of Finance, Corporate Performance Management and Corporate Landlord

Authors
Sarah Knowles - Audit Manager (Mazars)
✉ Sarah.Knowles@mazars.co.uk
Lloyd Haynes, Deputy Head of Finance – Corporate, ☎01922 652340, ✉ lloyd.haynes@walsall.gov.uk

MAZARS

Walsall Council

Internal Audit Annual Report
For the year ended 31 March 2020
Presented to the Audit Committee 27 July 2020

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A1 Summary of Internal Audit Work undertaken in 2019/20

A2 Statement of Responsibility

In the event of any questions arising from this report please contact Sarah Knowles , Senior Manager, sarah.knowles@mazars.co.uk or Peter Cudlip, Partner, peter.cudlip@mazars.co.uk.

Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Walsall Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Walsall Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A3 of this report for further information about responsibilities, limitations and confidentiality.

01 Introduction

Background

This Annual Report covers the work we have undertaken for the year ended 31 March 2020, and incorporates our audit opinion.

Scope and purpose of internal audit

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This opinion forms part of the framework of assurances that is received by the Council and should be used to help inform the Annual Governance Statement. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

Our professional responsibilities as internal auditors for the year ended 31 March 2020 are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board.

This report covers the internal audit activity for the 1st April 2019 to 31st March 2020 period, and summarises matters which came to our attention during the year. Such matters have been included within our detailed reports to the Audit Committee during the course of the year.

Acknowledgments

We are grateful to the Executive Directors, Head of Finance, and other staff throughout the Council for the assistance provided to us during the year.

02 Internal Audit Work undertaken in 2019/20

Our Internal Audit Plan for 2019/20 was considered and approved by the Audit Committee at its meeting on 15 April 2019. The Plan was for a total of 745 days including 30 days Follow Up, 70 days Management and planning and 50 days contingency.

During the course of the year a number of changes were made to the planned programme of work to reflect changes in circumstances within the Council.

The audit findings in respect of each review, together with our recommendations for action and the management response were set out in our detailed reports. A summary of the reports we have issued is included at *Appendix A1*. The appendix also describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

A summary of the Priority 1 recommendations made during the course of the year is included at *Appendix A2*.

03 Annual Opinion

Scope of the Internal Audit Opinion

In giving our annual audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

- The results of all audits undertaken during the year ended 31 March 2020;
- Whether or not any Priority 1 or Priority 2 recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Audit Committee;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

Internal Audit Opinion

On the basis of our audit work, our opinion on the Council's framework of governance, risk management and internal control is Substantial in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, 11 of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance and Risk Management

Governance arrangements have been considered and reported within the other reviews undertaken through the year and controls assurance work has been carried out to inform the Council's Annual Governance Statement. Work to further embed the new approach to risk management in the Council started in the prior year has continued, with regular progress reports to both CMT and the Audit Committee. There has been a strong commitment at Member and officer level to ensure the risk management framework continues to evolve and strengthen. There is a risk champion in place for each directorate who is committed to supporting robust risk management activity. A lessons learnt exercise has recently been completed and suggested recommendations for improvement accepted by CMT for 2020/21.

Internal Control

Of the 45 audits undertaken in the year where we provided a formal assurance level, eight were given a 'Good' level of assurance, 29 a 'Substantial' level of assurance and eight a 'Limited' level of assurance. No audits were given ''No' level of assurance.

During the year, we have made 11 ‘Priority 1’ recommendations and these are summarised in *Appendix A2* of this report. 111 recommendations categorised as ‘Priority 2’ were also made.

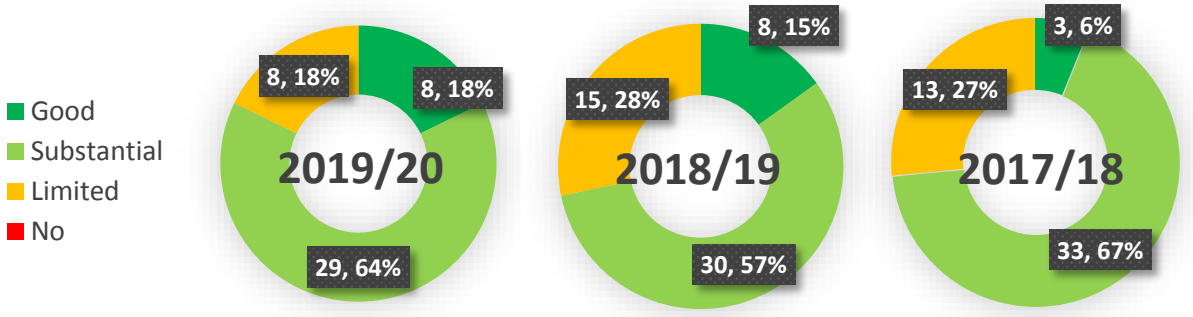
In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations raised and enabling Management to report on their status to each Audit Committee meeting. During the year, we reviewed the implementation of recommendations as they fell due and confirmed their implementation status.

All recommendations made during the year were accepted by Management.

04 Benchmarking

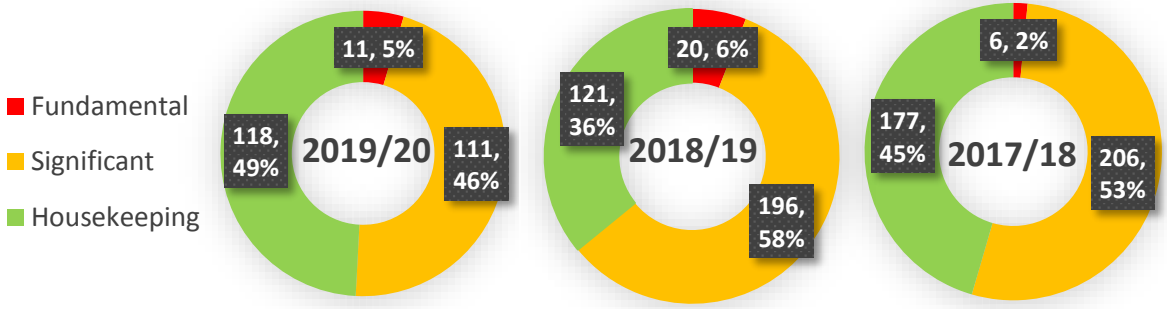
This section compares the Assurance Levels (where given) and categorisation of recommendations made at the Council.

Comparison of Assurance Levels (where given)



Of the 45 audits where an assurance level has been provided in 2019/20, 'Good' assurance has been provided in eight cases, 'Substantial' assurance has been provided in 29 cases, eight audits provided 'Limited' assurance.

Comparison of Recommendations by categorisation



In 2019/20, a total of 240 recommendations have been made. 11 of these were categorised as Priority 1. 111 recommendations were categorised as Priority 2 and 118 categorised as 'Priority 3.

05 Performance of Internal Audit

Compliance with professional standards

We employed a risk-based approach to determining the audit needs of the Council at the start of the year and use a risk-based methodology in planning and conducting our audit assignments. Our work has been performed in accordance with PSIAS.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform, we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by managers, directors and partners;
- The use of satisfaction surveys for each completed assignment.
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Regular meetings of our Sector Strategy Groups, which issues technical guidance to inform staff and provide instruction with regard to technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Performance of Internal Audit

Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Audit Committee.

Quarterly monitoring against KPIs set out in our contract is reported to the Head of Finance and the Executive Director – Resources and Transformation.

Satisfaction surveys have been issued to the Council for each audit together with the final report. 9 surveys have been returned to date, for which the Council provided 'very good' ratings in all cases.

Monthly meetings with the Head of Finance, and quarterly meetings with the Executive Director of Resources and Transformation have taken place in order to monitor progress against plan.

A1 Summary of internal audit work undertaken in 2019/20

The following reviews were undertaken during the 2019/20 audit year:

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Treasury Management, Cash & Bank	Good / Good	10	10	-	-	-	-	-
Budgetary Control (draft)	Good / Good	10	10	-	1	-	1	1
Main Accounting	Good / Good	10	10	-	-	-	-	-
Accounts Payable	Good / Good	10	10	-	-	-	-	-
National Funding Formula	Good / Good	10	10	-	-	-	-	-
Adults Social Care Caseloads	Good / Good	15	15	-	-	-	-	-
Governance Role of Overview & Scrutiny Committee	Good / Good	10	10	-	-	-	-	-
Accounts Receivable	Good / Substantial	10	10	-	1	-	1	1
Council Tax / NNDR	Substantial / Substantial	16	16	-	3	2	5	5
Housing Benefit & Local Council Tax Support	Substantial / Substantial	12	12	-	1	1	2	2
Apprenticeships	Substantial / Substantial	10	10	-	3	1	4	4

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Community Safety	Substantial / Substantial	7	7	-	1	-	1	1
Troubled Families (September 2019)	Substantial / Substantial	7	7	-	1	2	3	3
CRC Energy Efficiency Scheme	Substantial / Substantial	10	10	-	-	1	1	1
Childrens' Social Care Caseloads	Substantial / Substantial	12	12	-	5	1	6	6
Schools Capital Programme	Substantial / Substantial	10	10	-	1	-	1	1
Homelessness	Substantial / Substantial	15	15	-	2	1	3	3
Supplier Resilience (draft)	Substantial / Substantial	15	15	-	2	-	2	2
Federation Schools' Governance	Substantial / Substantial	10	10	-	2	1	3	3
Cyber Security	Substantial / Substantial	10	10	-	2	2	4	4
Saddlers Centre Management	Substantial / Limited	12	12	2	3	-	5	5
New Art Gallery	Limited / Substantial	10	10	2	3	1	6	6
Payroll & Pensions Administration	Limited / Limited	10	10	2	4	-	6	6

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Social Media Policies & Procedures	Limited / Limited	10	10	2	4	-	6	6
Local Growth Fund	n/a	7	7	-	-	-	-	-
Public Health Cash Handling	n/a	5	5	-	2	-	2	2
Making Tax Digital	n/a	15	15	-	-	4	4	4
Office 365 Implementation	n/a	10	10	-	2	2	4	4
Procurement Follow Up	n/a	10	10					
Totals		**308**	**308**	**8**	**43**	**19**	**70**	**70**
%				**11.5%**	**61.5%**	**27%**	**100%**	

The following school reviews were undertaken during the 2019/20 audit year:

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
St Giles Primary School	Good / Good	5	5	-	-	1	1	1
Alumwell Infant School	Substantial / Substantial	5	5	-	3	6	9	9
Blakenall Heath Junior School	Substantial / Substantial	5	5	-	5	6	11	11
Moorcroft Wood Primary School	Substantial / Substantial	5	5	-	4	3	7	7
Christ Church CE Primary School	Substantial / Substantial	5	5	-	5	5	10	10
Sunshine Infant School	Substantial / Substantial	5	5	-	2	5	7	7
Little Bloxwich CE Primary School	Substantial / Substantial	5	5	-	4	4	8	8
Walsall Wood Primary School	Substantial / Substantial	5	5	-	3	5	8	8
St Mary's the Mount Catholic Primary School	Substantial / Substantial	5	5	-	4	6	10	10
Leamore Primary School	Substantial / Substantial	5	5	-	3	2	5	5
Elmore Green School	Substantial / Substantial	5	5	-	3	6	9	9
Meadow View Primary School	Substantial / Substantial	5	5	-	5	4	9	9

Auditable Area	Level of Assurance (evaluation / testing)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Barcroft Primary School	Substantial / Substantial	5	5	-	2	4	6	6
Kings Hill Primary School	Substantial / Substantial	5	5	-	2	3	5	5
Radleys Primary School	Substantial / Substantial	5	5	-	2	5	7	7
Manor Primary School	Substantial / Substantial	5	5	-	1	4	5	5
Whitehall Junior School	Substantial / Substantial	5	5	-	2	3	5	5
St Patrick's Primary School	Substantial / Limited	5	5	-	5	7	12	12
New Invention Infant School	Limited / Substantial	5	5	-	5	9	14	14
Holy Trinity Primary School	Limited / Limited	5	5	1	5	6	12	12
St Thomas of Canterbury Catholic Primary School	Limited / Limited	5	5	2	3	5	10	10
Totals		**105**	**105**	**3**	**68**	**99**	**170**	
%				**2%**	**40%**	**58%**	**100%**	

We use the following levels of assurance and recommendation classifications within our audit reports:

Assurance Level	Adequacy of system design	Effectiveness of operating controls
Good Assurance	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied, or any weaknesses identified do not affect key controls and are unlikely to impair the achievement of the objectives of the system.
Substantial Assurance	Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses which put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

Recommendation Grading	Definition
Priority 1 (Fundamental)	Recommendations which are fundamental to the system and upon which the organisation should take immediate action. Major issues for the attention of senior management and the Audit Committee
Priority 2 (Significant)	Recommendations which, although not fundamental to the system, provide scope for improvements to be made. Recommendations for local management action in their areas of responsibility.
Priority 3 (Housekeeping)	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Detailed problems of a minor nature resolved on site through discussions with local management.

A2 Statement of Responsibility

We take responsibility to Walsall Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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