

Audit Progress Report July 2005

Walsall Metropolitan Borough Council

Audit 2004/2005

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Contents

Summary Report	4
Introduction	4
Appendix 1 – Summary of external audit work	5

Summary Report

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 (April 2005) in **bold type script**.

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> <p>In addition IA has undertaken some useful work in relation to revenue contracts. This covered expenditure of over £20 million in total and whilst the control of the payments under these contracts was sound IA found that there was a general failure to follow good tendering and contracting practice and in some cases a failure to follow the Council's contract procedure rules. Out of 11 contracts 5 had systems of internal control rated as adequate and 6 rated as poor.</p>

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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.</p> <p>The AC has provided a workshop for senior accountants in local government which was attended by your Finance Resource Planning manager.</p> <p>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)</p> <p>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>
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.	<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.</p> <p>The assessments are</p> <ul style="list-style-type: none"> • Good; • Adequate;

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			However, at 13 June some key financial systems audit reports remained to be finalised.	<ul style="list-style-type: none"> • Poor; and • Unsatisfactory.
5 Putting the Citizen First Project	Ongoing			<p>We plan to work with Internal audit on this project.</p> <p>Work will include a review of the BAFO process; consideration of affordability, Public Sector comparator and accounting issues; 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.</p> <p>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> <p>Report included on the agenda.</p>
6 SERCO	December 2004		Audit brief agreed with Director. Work is ongoing.	Internal audit have carried out a review of the contract management process and we are taking this into account for our own work.

8 Audit Progress Report July 2005 | Appendix 1 – Summary of external audit work

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7 ORACLES Implementation	November 2004	February 2005	Project brief agreed with Assistant Director of Finance.	We are working with Internal Audit on this project to ensure we bring complementary skills to bear and to avoid duplication A draft report was issued in May 2005.
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	Report discussed with relevant Directors.	Report included on the agenda.
11 Review of Nurrcis	February 2005	April 2005	Audit work complete.	Draft report discussed in May 2005.
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.

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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.
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	Draft report issued May 2005.	As in previous years we have produced a report summarising the results of our work auditing claims for government grant. 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. 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.)

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				<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.</p> <p>In other areas we identified that project managers could not always demonstrate that they had complied with contract procedure rules.</p>

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