

Audit Committee – 7 December 2010

No or Limited Assurance Internal Audit Reports

Summary of report:

This report presents audit reports which have been provided with a 'no' or 'limited' assurance opinion that have been finalised between 14 August 2010 and 3 November 2010.

Background papers:

Internal audit reports/files/working papers.

Recommendation:

1. To scrutinise the contents of the reports and obtain assurances from relevant managers that actions within the action plan of this report have been implemented; and that improvements have been delivered.



James Walsh – Assistant Director Finance
25 November 2010

No and Limited Assurance Opinion

Audit committee will be aware that internal audit has a standard assurance opinion rating as follows:

- **FULL ASSURANCE** - Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
- **SIGNIFICANT ASSURANCE** - Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
- **LIMITED ASSURANCE** - Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
- **NO ASSURANCE** - No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

In the case of school audits, internal audit test schools' compliance against the Department for Children, Schools and Families' financial management standard in schools (FMSiS) and provide an opinion of compliant or non compliant.

Between 14 August 2010 and 3 November 2010, the following reports have been finalised with a 'limited' assurance rating:

- New Art Gallery
- Independent Sector – Day Care, Residential & Nursing
- Community Meals – Contract Monitoring
- Payroll
- Edgar Stammers Children's Centre Final Account
- Birchills Children's Centre Final Account
- Frank F Harrison Stem Centre Final Account
- Castle Business & Enterprise College Final Account
- Bloxwich CE JMI Final Account
- Fibbersley JMI Final Account
- Aldridge Airport Final Account
- St James and Ogley Hay Children's Centre Final Account
- Beacon Children's Centre Final Account

These reports are detailed within the attached appendices for audit committee scrutiny and a summary of each of the reports is given in the sections below.

A number of the reports above relate to contract final accounts. All of these accounts are described by property services as 'legacy accounts', that is, final accounts submitted for audit some while after their projects had been completed. For example, tenders for these accounts were received between 2 and 5 years ago.

An audit review of property services' current systems was recently finalised which gave an overall significant assurance opinion rating. Although there are a number of improvement actions identified in this report the audit showed that there has been good progress in implementing controls in the areas of common failure identified in the above final accounts, including:

- procurement under appropriate authority;
- completion of formal contracts;
- proper supervision and monitoring; and
- creation of completion reports to senior managers.

New contract rules do not require final accounts to be audited. Internal audit's future approach will be to carry out systems reviews of property services current procedures rather than examine historic final accounts.

No audit reports have been issued between 14 August 2010 and 3 November 2010 with a 'no' assurance rating.

No reports relating to schools have been issued during the period with a 'non compliant' with the financial management standard in schools (FMSiS) status.

SUMMARY OF LIMITED AND NO ASSURANCE AUDIT REPORTS

New Art Gallery

An audit review of the New Art Gallery was undertaken as part of the annual audit plan. The New Art Gallery opened in February 2000 and has records which indicate a total of 1902 exhibits valued at £13.1 million with a variety of art collections on display, including;

- The Discovery Gallery
- Garman Ryan Collection
- Epstein
- Picasso
- Van Gough

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed audit report actions and to seek assurance that:

- planning and monitoring is effective in setting and actioning service aims and objectives;
- the events and exhibitions' programme is effectively managed;
- partnership, funding and sponsorship arrangements are utilised to their full potential;
- promotional activities are effective;
- adequate consultation procedures are in place;
- there is effective joint working with other related services and external organisations;
- procurement is in accordance with the authority's financial and contract rules;
- income is appropriately accounted for;
- acquisitions, loans and disposals are properly managed;
- facilities are appropriately managed;
- stock and inventory records are maintained in accordance with financial and contract rules;
- relevant policies and procedures are recorded in writing, regularly reviewed and are available to all staff;
- effective management and reporting arrangements are in place;
- performance management systems are adequate, including those relating to risk management, IPM, communication, sickness management, health and safety and equalities; and
- adequate budgetary management is in place.

The conclusions detailed within the final report attached at **Appendix 1** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the New Art Gallery.

Several good practices were noted during the audit, including:

- strong partnership and joint working links;
- sound programming and exhibition planning;

- responsiveness to customer comments;
- a good standard of promotional material made available to a diverse audience;
- national professional accreditation;
- detailed acquisitions and disposals policies;
- a track record of securing grant funding; and
- an innovative programme of educational activity.

A number of areas for improvement have been identified, including:

- a need to bring collections' records up to date and ensure they are subject to regular periodic checks;
- improved monitoring to ensure achievement of the forward plan and key performance indicators;
- the establishment of clear consultation procedures;
- adoption of a consistent approach for the reporting of events and exhibitions;
- ensuring that all policies and procedures are reviewed and authorised on a regular basis;
- the tightening of income controls, including the formulation of a pricing policy and regular reconciliations;
- improved contract management; and
- the need to store records so that they can be easily retrieved when needed.

The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

A total of 54 actions for improvement were identified as part of the review with 25 being at high priority.

Responses to an internal audit follow up memo were received from the principal accountant, assistant financial admin & support manager and operations manager on 15, 21 and 27 October 2010 respectively, who confirmed that 52 of the 54 agreed actions had been fully implemented. A further follow up memo is due to be sent out in January 2011.

Independent Sector – Day Care, Residential & Nursing

An audit review of independent sector – day care, residential and residential nursing was undertaken as part of the annual audit plan.

The independent sector provides day care, residential and residential nursing services to older people and vulnerable people with specific care needs including learning disabilities and mental health disabilities.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed audit report actions and to seek assurance that:

- procedures are comprehensively and appropriately documented; and available to all relevant staff;
- independent service provider vetting is robust;
- the process for awarding of contracts to independent sector providers is robust and value for money and compliance with financial and contract rules can be demonstrated;

- there are adequate arrangements in place for the placement of clients;
- payments to independent sector providers are effectively controlled;
- client contributions are appropriately calculated and recovered;
- adequate arrangements for the recovery of arrears are in place;
- there is adequate budget monitoring; and
- performance management is maintained.

The conclusions detailed within the final report attached at **Appendix 2** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within independent sector – day care, residential and residential nursing.

A number of good practices were noted during the audit, including;

- the service complies with the fairer charging policy which is updated on an annual basis and also the 'charging for residential accommodation guidelines' which is updated annually by the Department of Health;
- monthly budget meetings are held and are discussed at DMT and SMT, over and under spends are detailed and corrective action identified.
- the service plan is monitored on a quarterly basis; and
- annual benchmarking is completed and monitored by the performance team.

Most areas reviewed were found to require improvement. Controls regarding the monitoring and vetting of independent care providers; the management and administration of contracts and procurement; service user placements; payments to providers; client contributions and the recovery of arrears and overpayments all require strengthening.

The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

A total of 37 actions for improvement were identified as part of the review with 24 being at high priority.

An internal audit follow up memo is due to be sent out in November 2010.

Community Meals – Contract Monitoring

An audit review of community meals contract monitoring was undertaken during March 2010 as part of the annual audit plan. The council has a comprehensive agreement in place with Sodexo Healthcare Services for the provision of community meals i.e. to provide hot and frozen meals to older and vulnerable residents within Walsall.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed audit report actions and to seek assurance that:

- adequate planning, service strategies and customer consultation are in place;
- service performance is monitored and managed;
- the service operates within the corporate performance management framework, including:

- workforce planning
 - IPM
 - equalities
 - procurement
 - budgetary control
 - business continuity
 - risk management
 - Communications
 - sickness management
 - health & safety
 - information governance
- joint working with partners and other council services is effective;
 - key controls are in place to guard against fraud and irregularity;
 - procedure notes are in place detailing officers' responsibilities in respect of the overall day to day arrangements for monitoring the contract;
 - effective contract management and control arrangements are in place;
 - variations are adequately controlled and managed in accordance with original contract terms;
 - controls regarding payments in respect of the contract are robust;
 - non financial contract deliverables are adequately monitored; and
 - there are effective performance monitoring and reporting arrangements.

Internal audit is able to give a limited assurance opinion on the system of internal control operating within community meals contract monitoring.

Some good practices were noted during the audit, including; the existence of a comprehensive 3 year agreement between the council and Sodexo, terminating on 31 December 2010; and regular operational meetings held between representatives of the council and Sodexo.

Most areas reviewed required improvement. For example, the need to:

- a. strengthen overall management arrangements for the management and administration of new referrals and variations to provision;
- b. implement a system for validating data provided by Sodexo;
- c. ensure that robust procedures are in place for contract monitoring, together with roles and accountabilities assigned;
- d. ensure that comprehensive procedures notes and a debt management policy are in place; and
- e. develop council systems to ensure that useful management information can be obtained.

The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

A total of 15 actions for improvement were identified as part of the review with 13 being at high priority.

An internal audit follow up memo is due to be sent out in December 2010.

Payroll

An audit review of payroll was undertaken as part of the 2009/10 annual audit plan.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed audit report actions and to seek assurance that:

- management objectives are consistent with the council's strategic objectives;
- management information is adequate and reliable;
- the risk of fraud and irregularity is minimised;
- there are appropriate arrangements to promote economy, efficiency and effectiveness in the use of resources;
- management policies and directives and statutory requirements are adhered to;
- salaries, wages and related costs are only incurred in respect of staff currently employed in authorised posts and are charged to the correct cost centres;
- salaries and wages are correctly calculated and recorded;
- amendments to standing data are made completely and accurately;
- overtime is properly authorised and paid and adequately monitored;
- sickness and other absence from duty is correctly recorded and adequately monitored; and
- travel and expense claims are authorised and processed in accordance; with financial and contract rules.

The conclusions detailed within the final report attached at **Appendix 4** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within payroll.

Some progress has been made in actioning previously agreed audit report actions and HRD have continued to develop and improve HRD direct, the corporate employee and manager portal. Systems for the verification of the establishment structure, including the availability of structure information via HRD Direct; segregation of duties via individual teams such as the transactional recruitment team and the transactional team; and the use of 'Intelligent', an electronic database for the management and recording of personal files remain good practice.

Significant areas for improvement have, however, been identified in ensuring controls and processes are fully effective, for example, in the processing of new starters, variations to pay and leavers. Controls regarding the management and rectification of overpayments; and employee expenses were noted as requiring significant strengthening this year. As a result of this, the audit opinion for payroll has moved from borderline significant to limited assurance.

The manager of HRD employee services has indicated to audit that findings 2.9, 2.10, 2.11 and 4.14 were beyond HRD's control. Actions have however been agreed with HRD, to limit the risk of such issues occurring in future.

The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

A total of 74 actions for improvement were identified as part of the review with 39 being at high priority.

An internal audit follow up memo is due to be sent out in November 2010.

Edgar Stammers Children's Centre Final Account

An audit review of the contractor's final account for the New Children's Centre at Edgar Stammers School was undertaken during September 2009 part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:

- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
- All appropriate documentation has been obtained from the contractor and a suitable contract created,
- The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
- All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.

The conclusions detailed within the final report attached at **Appendix 5** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the New Children's Centre at Edgar Stammers School.

A number of good practices were noted during the audit, including;

- A tender receipt form was used to regulate the receipt and opening of tenders, which were subsequently evaluated prior to an acceptance being made.
- A letter of appointment was sent to the chosen contractor.
- The contractor's insurance cover was maintained throughout the contract period.
- Health and Safety, and equalities documentation were provided.
- A surety was provided by way of a contractor's bond.
- Regular site meetings were chaired by the architect and monitored the project's progress.
- Practical completion and making good of defects were certified at appropriate times.
- Architect's instructions were written and delivered to the contractor during the works' construction.
- A final account for the project was produced and agreed.
- Certificates show appropriate payments to the contractor.

A number of areas for improvement were identified;

- Cabinet approval was obtained neither prior to procurement of the main contractor nor for acceptance of the chosen contractor's offer.
- A contract was not executed under the council's seal.
- There is no evidence of the contract in a contract register held by the directorate.
- There is no evidence to support the value of the architect's instructions.
- The architect's final instruction was written over a year after the project achieved practical completion.

A total of 6 actions for improvement were identified as part of the review with 2 being at high priority.

All actions were confirmed as implemented within the final audit report action plan.

Birchills Children's Centre Final Account

An audit review of the contractor's final account for the Birchills Children's Centre was undertaken during September 2009 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:

- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
- All appropriate documentation has been obtained from the contractor and a suitable contract created,
- The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
- All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.

The conclusions detailed within the final report attached at **Appendix 6** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the Birchills Children's Centre.

A number of good practices were noted during the audit, including;

- The architect, who also acted as lead consultant, was appointed following a tendering exercise.
- An appropriate agreement was made with the architect.
- The tender list was obtained from the appropriate section of the council's unified standing list of contractors.
- The lead consultant provided a written assessment of the tenders received.
- A letter of appointment was sent to the firm whose tender was accepted.
- Evidence of the contractor's insurance was obtained.
- Health and Safety, and equalities documentation were provided.
- Regular site meetings were chaired by the architect and monitored the project's progress.
- Practical completion and making good of defects were certified.
- Architect's instructions were written and delivered to the contractor during the works' construction.

- A final account for the project was produced and agreed.
- Certificates show appropriate payments to the contractor.

A number of areas for improvement were identified;

- Managers failed to obtain an Executive or Assistant Director's authority either to procure the works contract or to accept the chosen tender,
- There was no evidence of an appropriate procedure being in place to control officers' actions at tender opening.
- No surety was found for the due performance of these works.
- There was no signed contract document for these works.
- An architect's instruction has been rewritten but the initial instruction has not been rescinded.
- An extension of time has been certified some seventeen months after practical completion was achieved.
- The contractor's final account has not been agreed with the council's representative.
- There has been no report on the project's outcome to the Executive or Assistant Director responsible.

A total of 10 actions for improvement were identified as part of the review with 5 being at high priority.

All actions were confirmed as implemented within the final audit report action plan.

Frank F Harrison Stem Centre Final Account

An audit review of the contractor's final account for the Frank F Harrison STEM Centre Phase 1 was undertaken during October 2009 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:

- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
- All appropriate documentation has been obtained from the contractor and a suitable contract created,
- The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
- All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.

The conclusions detailed within the final report attached at **Appendix 7** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the Frank F Harrison STEM Centre Phase 1.

A number of good practices were noted during the audit, including;

- The consultant architect was chosen following competitive tenders and provided evidence of indemnity.
- Tenders were sought from firms on the council's unified standing list.
- A tender receipt form was used to regulate the receipt of tenders.
- The architect provided a written assessment of the tenders.
- A letter of appointment was sent to the chosen contractor.
- The contractor's insurance cover was maintained throughout the contract period.
- Health and Safety, and equalities documentation were provided.
- Regular site meetings were chaired by the architect and monitored the project's progress.
- Practical completion and making good of defects were certified.
- A final account for the project was produced and agreed.
- Certificates show appropriate payments to the contractor.

A number of areas for improvement were identified;

- A Head of Service approved the procurement although its value was over £150,000.
- There is no evidence about the procedure used to open the tenders as the tender receipt form (TRF) has not been fully completed.
- The tender document provided for assessment to be based on a number of criteria but the evaluation report used only price and construction time period.
- No surety was found for the contractor's performance of the works.
- No contract document was found for these works. Financial and contract rule 14.3.1(c) requires that a contract should be executed under an Executive or Assistant Director's hand.
- The contract does not appear to be listed in a register held by the directorate.
- The architect has dated all seven of his instructions "May 08", at or after the time the works achieved practical completion.
- An extension of time was certified by the architect on 18 September 2009, over sixteen months after he had certified the works' practical completion and refused the contractor's application.
- The contractor's final account has been agreed with the architect, but there is no evidence on its having been agreed with Walsall Council as the employer.
- As yet there has been no report upon the project's success to the Executive or Assistant Director.

A total of 10 actions for improvement were identified as part of the review with 4 being at high priority.

All actions were confirmed as implemented within the final audit report action plan.

Castle Business & Enterprise College Final Account

An audit review of the contractor's final account for the Castle School - Refurbishment of Technology Classrooms was undertaken during October 2009 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:

- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
- All appropriate documentation has been obtained from the contractor and a suitable contract created,
- The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
- All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.

The conclusions detailed within the final report attached at **Appendix 8** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the Castle School - Refurbishment of Technology Classrooms.

A number of good practices were noted during the audit, including;

- The Head of Service approved the project's go-ahead in the belief it would cost less than £150,000.
- The names of all firms asked to tender were on the council's unified standing list of contractors and consultants.
- Full details and specifications were sent to each of the firms asked to tender.
- Tenders were assessed by the quantity surveyor who produced a written report.
- The tender was accepted by an Assistant Director who also signed a letter of appointment.
- The contractor provided a surety, and evidence of insurance.
- Health and Safety, and equalities documentation were provided.
- Regular site meetings were chaired by the contract administrator and monitored the project's progress.
- Architect's instructions were written and delivered to the contractor during the works' construction.
- A final account has been provided by the quantity surveyor.
- Payment to the contractor has been made through payment certificates.

A number of areas for improvement were identified;

- Managers have used a non-standard form to record receipt and opening of tenders.
- The formal contract was not executed under hand.
- There was no evidence to show that the contract had been entered into an appropriate register.
- The certificate of practical completion showed a number of substantial tasks, to be undertaken by the contractor or his domestic sub-contractors, remained incomplete.
- Making good of the works' defects has not yet been certified.

- The contractor's final account has not been signed to show it has been agreed by the contractor, quantity surveyor or the council.
- The second payment certificate bears an erroneous figure, which has caused the contractor to be overpaid by £4,000. A payment by the contractor is now due to the council.
- There has been no report on the project's outcome to the Executive or Assistant Director responsible.

A total of 8 actions for improvement were identified as part of the review with 3 being at high priority.

All actions were confirmed as implemented within the final audit report action plan.

Bloxwich CE JMI Final Account

An audit review of the contractor's final account for the Bloxwich C E School was undertaken during November 2009 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:

- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
- All appropriate documentation has been obtained from the contractor and a suitable contract created,
- The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
- All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.

The conclusions detailed within the final report attached at **Appendix 9** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the Bloxwich C E School.

A number of good practices were noted during the audit, including;

- An appropriate agreement was made with the architect.
- The tender list was obtained from the appropriate section of the council's unified standing list of contractors.
- A tender return form documented the tendering exercise.
- The quantity surveyor provided a written assessment of the tenders received.
- The winning tender was accepted by an Assistant Director.
- A letter of appointment was sent to the chosen contractor.

- The contractor provided evidence of insurance.
- Health and Safety, equalities and CDM documentation were provided.
- Regular site meetings were chaired by the architect and monitored the project's progress.
- Architect's instructions were written and delivered to the contractor during the works' construction.
- Practical completion was certified.
- A final account for the project has been produced by the quantity surveyor and agreed with the contractor.
- Certificates show appropriate payments to the contractor.

A number of areas for improvement were identified;

- A different architect was appointed from the one approved.
- The evaluator was not provided with George Law's proposed electrical installation costs.
- Signed acceptance of the tender is not dated.
- There is no surety nor an Executive or Assistant Director's agreement that one should not be obtained.
- Neither race relations nor health and safety documentation identifies the company by name.
- The contract document has not been signed by the council.
- Works commenced prior to the council's letter of appointment.
- There is no evidence of site meetings taking place after 10 July 2008, although works were not complete until 4 September.
- No architect's instructions are priced, and two instructions are not provided.
- Making good of defects has not been certified.
- The contractor's final account has yet to be agreed by the council.
- The quantity surveyor's final account includes six additional items for which the architect has provided no instruction.
- There has been no report on the project's outcome to the Executive or Assistant Director responsible.

A total of 13 actions for improvement were identified as part of the review with 6 being at high priority.

All actions were confirmed as implemented within the final audit report action plan.

Fibbersley JMI Final Account

An audit review of the contractor's final account for the building of Fibbersley Park School was undertaken during December 2009 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:

- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
- All appropriate documentation has been obtained from the contractor and a suitable contract created,
- The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
- All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.

The conclusions detailed within the final report attached at **Appendix 10** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the building of Fibbersley Park School.

A number of good practices were noted during the audit, including;

- The lead consultant was chosen following a competitive tender process.
- An EU restricted procedure was used to choose the main contractor.
- A TRF controlled the receipt of tenders.
- The quantity surveyor produced a formal tender evaluation report.
- A delegation from cabinet enabled appointment of the main contractor.
- The main contractor received and acknowledged a letter of appointment.
- The contractor provided evidence of his insurance.
- A surety was provided in the form of a bond.
- The contractor completed equalities and health and safety forms and agreed that the contract could be revoked in the event of corruption.
- CDM arrangements were appropriate.
- A pre-start meeting set out arrangements for the works.
- Regular site meetings took place and controlled the project's progress.
- Architect's written instructions were used to vary the works.
- Additional time requested by the contractor to complete the works was certified.
- The architect certified practical completion and making good of defects.
- The quantity surveyor provided a final account for the project.
- Payments to the contractor were controlled by certificate.

A number of areas for improvement were identified;

- Neither a letter of appointment nor a contract was provided for the architect, whose commission exceeds £300,000.
- An Executive Director has not resolved that the contract be procured.
- There is no signed acceptance of Thomas Vale by an Executive Director acting as cabinet's delegate.
- Managers failed to demonstrate that the contractor's insurance remained in place throughout the time the building was under construction.
- There is no contract under the council's seal.
- No record of the contract is shown on a register maintained in the department.
- A large number of instructions were written after the contract had reached practical completion.

- The final account was not produced until June 2009, some eight months after the making good was certified and is yet to be agreed by the council.
- The auditor received the final account in November 2009, some five months after it had been agreed between the quantity surveyor and contractor.
- There has been no report on the project's outcome to the Executive or Assistant Director responsible.

A total of 10 actions for improvement were identified as part of the review with 4 being at high priority.

All actions were confirmed as implemented within the final audit report action plan.

Aldridge Airport Final Account

An audit review of the contractor's final account for Aldridge Airport Outdoor Activity Centre was undertaken during January 2010 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:

- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
- All appropriate documentation has been obtained from the contractor and a suitable contract created,
- The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
- All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.

The conclusions detailed within the final report attached at **Appendix 11** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for Aldridge Airport Outdoor Activity Centre.

A number of good practices were noted during the audit, including;

- Consultants were appointed following submission of competitive quotations.
- Firms invited to tender were chosen from the council's unified standing list.
- Tenders were received by the council's monitoring officer and opened by the appropriate portfolio holder.
- Tenders were assessed by the quantity surveyor and a report created.
- The cabinet resolved to accept a tender.
- A letter of appointment was sent to the contractor.

- The contractor provided evidence of his insurance.
- A bond was provided as a surety.
- CDM documentation was completed.
- An extension of time was certified following the contractor's written application.
- The contract administrator certified that works achieved practical completion.
- A final account was created by the quantity surveyor.
- Certificates were used to pay the contractor.

A number of areas for improvement were identified;

- There is no evidence of a cabinet approval for tenders to be sought.
- No capital finance report has been provided.
- The contractor's equalities documentation has not been provided.
- There is no health and safety statement from the contractor.
- No certificate enabling the council to revoke the contract in case of fraud or corruption has been provided.
- There is no formal contract.
- There is no proper record of site meetings.
- Only two architect's instructions have been found, neither of which is priced.
- Making good of defects has not been certified.
- The contractor's final account was received some fifteen months after the project achieved practical completion.
- The final account was provided to the chief internal auditor over eight months after its receipt by the council.
- The project's final out-turn has exceeded the contract sum by £152,994.03 or 18.47%, but this appears not to have been reported to any senior manager.

A total of 12 actions for improvement were identified as part of the review with 5 being at high priority.

All actions were confirmed as implemented within the final audit report action plan.

St James and Ogley Hay Children's Centre Final Account

An audit review of the contractor's final account for the St James and Ogley Hay Children's Centre was undertaken during January 2010 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:

- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
- All appropriate documentation has been obtained from the contractor and a suitable contract created,

- The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
- All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.

The conclusions detailed within the final report attached at **Appendix 12** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the St James and Ogley Hay Children's Centre.

A number of good practices were noted during the audit, including;

- A quantity surveyor was appointed following receipt of competitive quotations.
- Officers selected firms to tender for the main works from the council's unified standing list of contractors and consultants.
- The monitoring officer received tenders, which were subsequently opened by the appropriate portfolio holder.
- The quantity surveyor assessed tenders and provided a written report
- The chosen contractor received and acknowledged a letter of appointment.
- Insurance documents were received and covered the whole of the period during which the works took place.
- Construction design and management documentation (CDM Form 10) was produced and submitted.
- The contract administrator chaired regular site meetings and monitored the project's progress.
- Contract administrator's instructions were written and delivered to the contractor during the works' construction.
- An extension of time was sought from and granted by the contract administrator.
- Practical completion and making good of defects were certified.
- A final account has been produced and includes the contractor's agreement.
- Certificates control all payments made to the contractor.
- Both an end of project report and a lessons learned report were produced.

A number of areas for improvement were identified;

- There was no director's authority to procure the works.
- Proposed expenditure was not identified in a capital finance report.
- Acceptance of a tender is not recorded.
- The contractor does not appear to have provided a surety.
- There is no record of the contractor's equalities or health and safety certificates.
- The contractor's agreement allowing the council to revoke the contract in case of fraud or corruption has not been found.
- The contract document has been signed by the contractor but not by the council.
- The contract administrator's instructions have not been priced.
- An instruction to add to the works was written in June 2009, over a year after they achieved practical completion.
- A certificate for payment issued on 8 August 2009 remains unpaid.
- The contractor's final account was finally completed and agreed by the contractor on 21 January 2010.

A total of 12 actions for improvement were identified as part of the review with 4 being at high priority.

All actions were confirmed as implemented within the final audit report action plan.

Beacon Children's Centre Final Account

An audit review of the contractor's final account for the Beacon Children's Centre was undertaken during February 2010 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project.

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:

- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
- All appropriate documentation has been obtained from the contractor and a suitable contract created,
- The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
- All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.

The conclusions detailed within the final report attached at **Appendix 13** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the Beacon Children's Centre.

- A number of good practices were noted during the audit, including;
- A quantity surveyor was appointed following receipt of competitive quotations.
- Officers selected firms to tender for the main works from the council's unified standing list of contractors and consultants.
- The monitoring officer received tenders, which were subsequently opened by the appropriate portfolio holder.
- The quantity surveyor assessed tenders and provided a written report
- The chosen contractor received and acknowledged a letter of appointment.
- Insurance documents were received and covered the whole of the period during which the works took place.
- Equalities and health and safety documentation was provided.
- The contractor agreed the contract could be revoked in case of fraud or corruption.
- Construction design and management documentation (CDM Form 10) was produced and submitted.
- The contract administrator chaired regular site meetings and monitored the project's progress.
- Priced contract administrator's instructions were written and delivered to the contractor during the works' construction.

- An extension of time was certified by the contract administrator.
- Practical completion and making good of defects were certified.
- A final account has been produced for this project and includes the contractor's agreement.
- Certificates control payments made to the contractor.
- Both an end of project report and a lessons learned report were produced.

A number of areas for improvement were identified;

- There was no director's authority to procure the works.
- A form showing acceptance of the contractor's tender, by both the head of service and an assistant director, is undated.
- There is no evidence that the contractor has provided a surety.
- No signed contract could be found to cover these works.
- Thirteen of the seventeen architect's instructions were dated after the works had achieved practical completion.
- There is no record of the contractor applying for an extension of time, the architect's certification of which is undated.
- The contractor agreed the final account in January 2010, despite the works achieving practical completion in March 2008. The architect's final valuation, issued on 27 March 2008, remains unpaid.
- The council overpaid the contractor by more than £46,000 owing to an error in a payment certificate. The contractor subsequently repaid this sum.
- The "Lessons Learned Report" and "End Project Report" appear incomplete and make no mention of this project's successes and difficulties.

A total of 9 actions for improvement were identified as part of the review with 4 being at high priority.

All actions were confirmed as implemented within the final audit report action plan.

Resource and legal considerations:

The cost of providing internal audit is charged to services based on audit activity. The audits detailed within this report were included within the annual risk assessed audit programme which is approved before the start of the respective financial year.

Citizen impact:

Report scrutiny assists in demonstrating that the council and its officers are protected and provides an assurance to stakeholders about the security of the council's operations.

Performance and risk management issues:

Many Audit Committee activities are an important and integral part of the council's performance/risk management and corporate governance frameworks. In reviewing specific reports which have been awarded no or limited assurance for detailed scrutiny, the committee is able to ensure that operational and control issues are being dealt with appropriately and that managers' agreed actions are being implemented. The committee can seek explanation from managers failing to progress agreed actions.

Equality Implications:

None arising from this report.

Consultation:

The annual audit work programme was discussed with relevant senior managers before the start of the year. Following completion of each audit review, the auditee's agreement to implement the agreed actions was sought before issuing the final report. Shortly afterwards, the relevant manager is asked to formally confirm that the agreed actions have been implemented.

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Walsall Council
Internal Audit Service

New Art Gallery

Audit Report 2009 / 2010
September 2010

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EXECUTIVE SUMMARY

A. Introduction

1. An audit review of the New Art Gallery was undertaken as part of the annual audit plan. The New Art Gallery opened in February 2000 and has records which indicate a total of 1902 exhibits valued at £13.1 million with a variety of art collections on display, including;
 - The Discovery Gallery
 - Garman Ryan Collection
 - Epstein
 - Picasso
 - Van Gough
2. The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed audit report actions and to seek assurance that:
 - planning and monitoring is effective in setting and actioning service aims and objectives;
 - the events and exhibitions' programme is effectively managed;
 - partnership, funding and sponsorship arrangements are utilised to their full potential;
 - promotional activities are effective;
 - adequate consultation procedures are in place;
 - there is effective joint working with other related services and external organisations;
 - procurement is in accordance with the authority's financial and contract rules;
 - income is appropriately accounted for;
 - acquisitions, loans and disposals are properly managed;
 - facilities are appropriately managed;
 - stock and inventory records are maintained in accordance with financial and contract rules;
 - relevant policies and procedures are recorded in writing, regularly reviewed and are available to all staff;
 - effective management and reporting arrangements are in place;
 - performance management systems are adequate, including those relating to risk management, IPM, communication, sickness management, health and safety and equalities; and
 - adequate budgetary management is in place.
3. The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (**), medium (*) or low (*).

4. Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
5. Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
6. The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.
7. All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B. Overall Audit Opinion

1. Internal audit is able to give a limited assurance opinion on the system of internal control operating within the New Art Gallery, as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
→	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

2. Several good practices were noted during the audit, including:
- strong partnership and joint working links;
 - sound programming and exhibition planning;
 - responsiveness to customer comments;
 - a good standard of promotional material made available to a diverse audience;
 - national professional accreditation;
 - detailed acquisitions and disposals policies;
 - a track record of securing grant funding; and
 - an innovative programme of educational activity.
3. A number of areas for improvement have been identified, including:
- a need to bring collections' records up to date and ensure they are subject to regular periodic checks;
 - improved monitoring to ensure achievement of the forward plan and key performance indicators;
 - the establishment of clear consultation procedures;
 - adoption of a consistent approach for the reporting of events and exhibitions;

- ensuring that all policies and procedures are reviewed and authorised on a regular basis;
 - the tightening of income controls, including the formulation of a pricing policy and regular reconciliations;
 - improved contract management; and
 - the need to store records so that they can be easily retrieved when needed.
4. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.
5. The 25 agreed actions which remain applicable from the last audit were confirmed as implemented by the finance manager on 8 May 2008. Of these, 18 had been fully implemented at the time of this audit. The 6 unimplemented, and 1 partially implemented, actions have been reiterated in this report, marked (*) in the action plan.
6. Most actions within the report are considered to be of a high priority.

C. Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Policies and Procedures		✓		
Shop Pricing and Income			✓	
Consultation Procedures			✓	
Joint Working Groups		✓		
Collections Records			✓	
Inventory and Stock			✓	
Procurement			✓	
Programming and Exhibitions	✓			
Sponsorships and Donations		✓		
Grants and other Funding		✓		
Promotional Activities	✓			
Physical Security and Checks		✓		
Budgetary Monitoring and Management Information		✓		
Performance Management			✓	

D. Acknowledgements

1. Please thank all officers concerned for their help and co-operation during the audit, particularly for making records available and providing suitable accommodation for the auditor.

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

1. Policies and Procedures

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Policy statements are incorporated into the forward plan.
- Policies are in place for movement of works in an emergency and the physical & intellectual care of objects.
- There is a daily checklist for gallery assistants.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	**	A timetable for the review of policies and procedures is not in place and instead these are reviewed on an ad-hoc basis.	Procedures may not be reflective of current practice. Review of certain procedures may be missed.	A forward plan for the review and update of policies and procedures will be introduced to assist in ensuring that information is up to date and reflects current service arrangements. (*)	Director New Art Gallery – Stephen Snoddy Operations Manager – Mark Clancy 30 September 2010
1.2	*	The emergency procedure for the 'movement of collections, archives and art works from hazardous or potentially hazardous areas' has not been signed and dated by the completing and reviewing officers and has yet to include a visual aid in support of exhibit descriptions. The gallery assistant daily routine procedure is not signed and dated by the completing or reviewing officers.	Unauthorised / incomplete procedure notes. In the absence of certain officers, other staff may not be aware of their roles and responsibilities.	The emergency procedure for the 'movement of collections, archives and art works from hazardous or potentially hazardous areas' and the gallery assistant daily routine procedure has been signed and dated by the completing and reviewing officers to confirm authorisation. Thereafter, the procedures will be reviewed and updated on a regular basis to ensure they are reflective of current exhibits on display. The emergency procedure now includes a visual aid to support the description of each exhibit.	Operations Manager – Mark Clancy Implemented

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.3	**	The procedure for the 'physical and intellectual care of art work' has not been updated since September 2005. The procedure includes information relating to the total value of permanent collections as at 2005/06, the policy value excess and the value of the insurance policy for loans. Further, the procedure does not specify the authorised officer(s) to approve acquisition and loaning of exhibits.	Unauthorised / incomplete procedure notes. In the absence of certain officers, other staff may not be aware of their roles and responsibilities.	The procedure for the 'physical and intellectual care for art work' will be updated to ensure it is reflective of current values and arrangements and specifies the authorised officer(s) who can approve the acquisition and loaning of exhibits. Thereafter, the procedure will be reviewed on an annual basis and signed and dated by the completing officer.	Director New Art Gallery – Stephen Snoddy Collections Curator – Jo Digger 30 September 2010

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

2. Shop Pricing and Income

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Two officers are involved in the counting and preparing of cash.
- A daily analysis of income received for each stock item is kept.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	***	<p>A pricing policy does not exist.</p> <p>Items in the New Art Gallery shop are priced based on the recommended retail price, or, where there is no recommended retail price the finance manager prices items based on a mark-up value. However, there is no policy in place which documents the methods by which items will be priced based on a mark-up value.</p>	<p>In the absence of certain officers, other staff may not be aware of their roles and responsibilities.</p> <p>Inconsistency in pricing methods.</p> <p>In the event of query / challenge pricing methods may be unclear.</p> <p>Over / under charging may occur.</p> <p>Prices not properly authorised.</p>	<p>A pricing policy has now been documented, approved and is followed.</p>	<p>Director New Art Gallery – Stephen Snoddy</p> <p>Implemented</p>
2.2	**	<p>Where items have been on sale or in stock for long periods of time, a price review is not undertaken to ensure they are in line with the current market value.</p>	<p>Over / under charging may occur.</p> <p>Prices not in accordance with current market values.</p>	<p>A timescale has been set for a price review of items held on sale or in stock for long periods of time and has been incorporated into the pricing policy.</p>	<p>Director New Art Gallery – Stephen Snoddy</p> <p>Operations Manager – Mark Clancy</p>

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

					Finance Manager – Victoria Fletcher Implemented
2.3	***	There is no reconciliation undertaken to ensure that amounts collected agree with banking credits recorded on the Oracle ledger.	Errors or discrepancies may go unnoticed. Potential for misappropriation of income Insufficient monitoring.	Reconciliations are now undertaken on a monthly basis to ensure amounts collected agree with bank credits recorded on the Oracle general ledger.	Finance Manager – Victoria Fletcher Implemented
2.4	**	The banking and cashing up procedure could not be located during the audit.	In the absence of certain officers, other staff may not be aware of their roles and responsibilities.	The banking and cashing up procedure will be located and circulated to all staff, who will receive training on the procedural arrangements.	Finance Manager – Victoria Fletcher 30 September 2010

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

3. Consultation Procedures

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- A visitor book is available for completion in reception.
- Negative comments received on evaluation forms are followed up on an individual basis.
- Evaluation forms are available for completion at every event and exhibition held.
- A website user testing exercise was completed in May 2009. The results were collated in a graphical format and were positive.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	***	There are no formally documented consultation procedures. The 2009/10 forward plan refers to the aims of continued consultation and engagement with the public but does not detail the approaches and methods that will be used or how regular the data will be collated, reported and acted upon.	Insufficient monitoring. Trends may go unnoticed. Action not taken to address feedback. Unclear consultation arrangements.	Consultation procedures will be documented, approved and implemented.	Director New Art Gallery – Stephen Snoddy 30 September 2010
3.2	***	Visitor feedback is not documented for each event and exhibition held. The events and exhibition feedback which is collated and documented utilises various differing methods.	Loss of opportunity to improve future events. Lack of management information. Poor performing projects may go unnoticed. Inconsistencies in monitoring and reporting.	A report is now produced after each exhibition/event held to summarise the successes or otherwise, number of visitors, areas for improvement and visitor feedback. The reports now form the basis for celebration of successes and discussion of learning/improvement points at team meetings.	Director New Art Gallery – Stephen Snoddy Implemented

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.3	**	There is currently no process in place to collate, document and report educational sector evaluation form results.	Lack of management information. Poor performing projects may go unnoticed.	The process for collating, documenting and reporting educational sector evaluation form results will be determined and steps taken to implement suggested improvements.	Events & Education Curator – Zoe Renilson 30 September 2010

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

4. Joint Working Groups

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Joint working has been established with a number of services, organisations and groups including; creative development team, marketing team, the NHS, Walsall College, Walsall Youth service, Walsall Multi Faith Forum and Wolverhampton Art Gallery.
- A school visit guide is produced on an annual basis.
- A 3 year joint working educational research project with Birmingham City University has resulted in new ways of working which have been incorporated into the education programme.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.1	***	The service takes an informal approach to joint working. There are no formal partnership agreements in place to clarify arrangements.	Desired outcomes and resource commitments may be unclear and open to dispute in the event of query / challenge.	Partnership agreements with external organisations will be clarified in writing.	Director New Art Gallery – Stephen Snoddy 30 September 2010
4.2	**	There is no single record which lists joint working and partnership activity.	Other staff may not be aware of potential joint working opportunities. Loss of opportunity to share data.	A list of joint working and partnership activity will be established, updated on an ongoing basis and made available to all relevant staff. This will assist relevant officers when searching for possible joint working arrangements and partnerships; as well as raising awareness of ongoing commitments.	Director New Art Gallery – Stephen Snoddy 30 September 2010
4.3	**	A partnership agreement between the New Art Gallery and Walsall College is currently in draft format.	Non finalised agreement in the event of query / challenge.	The partnership agreement between the New Art Gallery and Walsall College will be finalised and issued.	Director New Art Gallery – Stephen Snoddy 30 September 2010

5. Collections Records

Limited assurance can be given that controls are in place to meet objectives in this area

- The acquisitions and disposal policy is appropriately detailed and includes individual collecting policies for the various arts collections.

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
5.1	***	<p>The record of loaned exhibits was examined and a physical inspection of exhibits contained within council buildings was undertaken. This identified that:</p> <ul style="list-style-type: none"> ○ 3 additional paintings were found that were not on art gallery records. (chief executives office, council house room 37, registry office) ○ 2 paintings were found in different locations to those stated on art gallery records. (one recorded against ‘Committee room 6’ found in the Leader’s officer and one recorded against chief executive’s office found in council house room 37). ○ 14 items had not been location checked by art gallery staff. ○ with the exception of the exhibits located at Streetly Crematorium, items were not labelled to display the artist and title. 	<p>Inaccurate records.</p> <p>The absence of exhibit labelling increases the difficulty of physical identification.</p> <p>Valuable items are lost or are unable to be located.</p>	<p>The exceptions noted have now been rectified. A location check is now completed for all items on loan in council offices, details of the checks are fully recorded and collections’ records updated accordingly on an ongoing weekly programmed basis.</p> <p>Exhibit details have been accurately recorded to eliminate any confusion and misleading information.</p> <p>All items loaned will be labelled to display the artist and title of the work.</p>	<p>Collections Curator – Jo Digger</p> <p>Implemented</p> <p>Collections Curator – Jo Digger</p> <p>31 December 2010</p>
5.2	***	There are no formal loan records to	Location of items and	A formal loan record has been formulated to	Collections Curator

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

		<p>assign responsibility for care of the exhibits to nominated council officers or to clarify the period of loans.</p> <p>Letters to officers requesting confirmation of location are sent out but these have not been issued since November 2004.</p> <p>There is no set limit assigned to the value of exhibits which can be loaned off-site to other council buildings.</p>	<p>responsible officers may be unclear.</p> <p>Unauthorised issue of exhibits.</p> <p>Lack of audit trail in the event of query.</p> <p>Terms and conditions of loan may be unclear.</p> <p>Valuable items are lost or unable to be located.</p>	<p>include the responsible council officer, length of the loan and required terms and conditions. This also includes the provision for reimbursement of any uninsured losses.</p> <p>Letters are now sent to responsible borrowing officers on an annual basis to confirm location of exhibits.</p> <p>The maximum value of exhibits loaned to other council buildings is set according to the levels of security in the proposed display area.</p>	<p>– Jo Digger</p> <p>Implemented</p>
5.3	***	<p>A total of 49 items at the New Art Gallery were physically inspected. It was found that:</p> <ul style="list-style-type: none"> • 12 items had not been location checked by art gallery staff. • 9 items were found in a different location to those stated on art gallery records. • 3 items could not be located. (1 item is valued at £10,000 - Object numbers: 1973.276.GR) • 4 items were not labelled to confirm object number and title it could therefore not be confirmed that items were present and that art gallery records were accurate. (Object numbers - 2009.003.GRE; 2009.015.GRE; 1973.366.GR; 1973.352.GR) • 3 items could not be physically 	<p>Inaccurate / out of date / unclear records.</p> <p>Insufficient audit trail.</p> <p>Valuable items are lost or unable to be located.</p>	<p>Art gallery collections records are now updated on an ongoing basis.</p> <p>Investigations have been undertaken to identify the items which could not be located during the physical inspections conducted by internal audit and records updated accordingly.</p> <p>All items have been labelled to confirm their identification.</p> <p>A physical relocation of the art store has been carried out to enable exhibits to be easily accessible.</p> <p>Items recorded as 'NAG art store' have been updated to specify their exact location within the store.</p>	<p>Collections Curator – Jo Digger</p> <p>Implemented</p>

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

		<p>inspected due to inaccessible storage conditions. (Object numbers - 2001.071.P; 2002.004.P; 2001.074.P)</p> <ul style="list-style-type: none"> • In 1 case, the material of an item had not been recorded on art gallery records. (Object number - 2000.007.GRE) • In 1 case, the title of an image had not been recorded on art gallery records. (Object number - 2004.011.P) • The object number of an item differed to that stated on art gallery records. (Object number - 2009.022.GRE) • The title of a painting was incorrectly recorded on art gallery records. (Object number - 1973.170.GR) • 4 items were recorded on art gallery records as 'NAG art store' and did not specify the exact location within the store. (Object numbers - 976.327.P; 1996.001.GRE; 2007.028.P, 2004.001.P) 		A rolling programme has been implemented to ensure location and condition checks are completed on a weekly basis.	
5.4	***	Art gallery staff did not report physical condition inspection results as part of their location checking of items.	Exhibits may deteriorate beyond repair.	A rolling programme has been implemented to ensure collection, location and condition checks are completed on a weekly basis.	Collections Curator – Jo Digger Implemented
5.5	***	Art gallery records stated 2 items as stolen. These were input on the	Incomplete records.	Records documenting stolen items, including Police crime reference numbers	Collections Curator – Jo Digger

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

		database upon the changeover from the previous manual system.	Lack of audit trail in the event of a query.	and details of officers' investigations/outcomes, will be retained and held securely on file.	Implemented
5.6	***	Manual record cards were not completed during the location checks completed by art gallery staff. Details of each location check were entered directly onto the exhibits database.	Lack of audit trail in the event of a query. Errors may go unnoticed.	A manual record card is now completed for each item which has been location checked to confirm the officer completing the check and the date. The record card is then updated for each subsequent location check.	Collections Curator – Jo Digger Implemented
5.7	***	There is no set timescale or rolling programme in place to document when location checks will be undertaken.	Out of date records. Items lost or unable to be located may not be promptly identified or appropriate remedial action taken.	A rolling programme has been implemented to ensure location and condition checks are completed on a weekly basis.	Collections Curator – Jo Digger Implemented

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
5.8	***	<p>20 items could not be located by art gallery staff while undertaking their location checks. These items are classified as 'unknown' on art gallery records. The process for locating 'unknown' items is still to be determined.</p> <p>Art gallery records include 5 items located at the town hall stores. The items are no longer held in the town hall stores and could not be found during the location checks undertaken by art gallery staff.</p> <p>During 1996 a number of items were loaned to HSBC as part of an education funding deal. Although in 2004 the exhibits were collected by art gallery staff, one of the items could not be located and no further investigations have since been undertaken to locate the missing item, which was valued at £800. The collected items were returned to the art store and are classified as 'unknown' on art gallery records.</p>	Lack of remedial action in the event of stolen / missing items being identified.	<p>A process for locating items with an 'unknown' location description will be agreed and promptly implemented.</p> <p>Details of any items which cannot be located will be reported to the executive director, CMT and internal audit.</p>	<p>Collections Curator – Jo Digger</p> <p>31 December 2010</p>

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
5.9	**	From a sample of 3 loan agreements selected it was found that in 2 cases there was no evidence available at the time of the audit to confirm insurance arrangements in place, such as insurance certificates.	Items may not be appropriately insured. Lack of audit trail in the event of a query.	Confirmation of insurance arrangements is now requested prior to an exhibit being loaned and evidence is retained on file. This is now included as part of the 'conditions of loan' form.	Collections Curator – Jo Digger Implemented
5.10	***	The permanent collection has not been formally valued since May 1993, although the collections curator has completed some valuation updates since then. Of the 49 items checked as part of the gallery and art store sample, 12 did not have a value on art gallery records. The collections curator has yet to undertake research to determine the value of these items.	Items not reflective of current market values. Inadequate insurance arrangements in the event of loss or theft.	Due to the costs involved in external valuations and lack of financial resources available, items will be valued on an ad-hoc basis as and when required.	Collections Curator – Jo Digger Implemented
5.11	**	The gross book value on the community asset register includes values which are not part of the Garman Ryan collection, namely the permanent collection and long term loans.	Inaccurate records. Records may be misleading.	The gross book value stated on the community asset register relating to the Garman Ryan collection and New Art Gallery collection values will be separately identified with individual totals.	Principal Accountant – Sue Eardley 30 September 2010

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

6. Inventory and Stock

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Access to gallery offices is restricted.
- Regular shop stock checks are undertaken.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
6.1	***	<p>An equipment check has not been completed since August 2007 and an IT inventory check has not been completed since February 2006.</p> <p>The inventory registers have not been updated for acquisitions and disposals since the last inventory check was undertaken.</p> <p>The 2 staff allocated to complete the equipment and IT checks have left the authority. There has been no date set as to when the equipment and IT checks will next be undertaken and there is no procedure note which would inform officers on completing and recording inventory checks.</p> <p>During a separate audit to confirm the location of a former officer's computer, a number of items of unused IT equipment not recorded on the inventory were found in a store cupboard.</p>	<p>Inaccurate / out of date records.</p> <p>Missing items may not be promptly identified in order for appropriate action to be taken.</p> <p>Non compliance with financial and contract rule 6.2.</p> <p>In the event of theft / fire, stolen / recovered items may not be easily identifiable and valued.</p> <p>In the absence of an annual check, missing equipment may go un-noticed / un-investigated.</p> <p>Inefficient use of owned assets.</p> <p>In the absence of procedure notes, staff may not be aware of their roles and responsibilities.</p>	<p>A date for the completion of all equipment and IT checks will be set. Thereafter, a rolling programme of checks will be established to ensure equipment and IT assets are verified at least once a year to records held.</p> <p>A procedure for the completing and recording of inventory checks will be documented, approved and put in place. Thereafter the procedure will be reviewed regularly by nominated officers in accordance with agreed timescales.</p> <p>Inventory registers will be updated promptly to record the acquisition, disposal and movement of items. (*)</p>	<p>Operations Manager – Mark Clancy</p> <p>Finance Manager – Victoria Fletcher</p> <p>30 September 2010</p>

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
6.2	*	The stock procedure has not been signed or dated by the completing and reviewing officers.	Unauthorised procedure notes.	The stock procedure has now been signed and dated by the completing and reviewing officers and will thereafter be reviewed and signed on an annual basis.	Operations Manager – Mark Clancy Finance Manager – Victoria Fletcher Implemented
6.3	***	<p>A sample of 3 inventory disposal notes was selected for inspection and the following exceptions were identified:</p> <ul style="list-style-type: none"> In 1 case the asset number was not recorded. (Silver label number - 16729) In 2 cases the date of disposal was not recorded. (Silver label numbers - 16720,16729) In 1 case the disposal was not authorised. (Asset number - 000009) The disposal note relating to asset number 000009 states that the inventory was amended to reflect the disposal. However, on inspection, this had not been done. The 'disposal of fixed assets' form does not include the date that disposals are authorised. 	<p>Incomplete records.</p> <p>Unauthorised disposals.</p>	<p>Inventory/stock disposal notes will be fully complete and authorised prior to disposal. (*)</p> <p>Inventory registers will be updated promptly after the disposal of items.</p> <p>Disposal notes will be updated to include the date that disposals are authorised.</p> <p>A separate list will be compiled for all inventory/stock that has been written off. Documentation will also be available to support decisions and appropriate authorisation made with regard to the write off of any inventory/stock. (*)</p>	<p>Operations Manager – Mark Clancy</p> <p>Finance Manager – Victoria Fletcher</p> <p>30 September 2010</p>

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

7. Procurement

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- The gallery is currently undertaking an I-Procurement approvals pilot scheme.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
7.1	**	<p>From a sample of 18 invoices tested, it was found:</p> <ul style="list-style-type: none"> • In 1 case an invoice had not been date paid stamped. (Ledger ref: 695155) • In 1 case an invoice had not been date received stamped. (Ledger ref: 675096) • Inconsistencies were identified in respect of 6 invoices relating to the pilot scheme to confirm they had been entered and validated. <ul style="list-style-type: none"> ○ In 2 cases the invoice was not signed and dated by the officer entering and validating the invoice. (Ledger ref: 663467, 695184) ○ In 4 cases the invoice was signed but not dated by the officers entering and validating the invoice. (Ledger ref: 660043, 	<p>Incomplete processes.</p> <p>Incorrect payments may be processed.</p> <p>Inadequate segregation of duties.</p> <p>Errors may go un-noticed.</p>	<p>To verify payments, and to ensure the invoicing process is fully complete, all paid invoices are now stamped 'paid'.</p> <p>To verify receipt of invoices and prompt payment, all invoices are now date received stamped.</p> <p>All invoices are now signed and dated to confirm they have been entered and validated on Oracle.</p>	<p>Assistant Financial Administration & Support Manager – Sharon Noble</p> <p>Implemented</p>

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

		695155, 684031, 675096)			
ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
7.2	***	A Costa Coffee outlet opened at the New Art Gallery in August 2007. The contract is yet, however, to be finalised and signed. Although the matter was referred to an external legal company (Corbetts) in December 2007 to finalise the agreement, this has not yet happened. As a consequence, Costa Coffee have not made any rental or utility payments to the council.	<p>Loss of income.</p> <p>Unauthorised arrangements.</p> <p>Failure to secure full contractual benefits to the council.</p> <p>Lack of contractual security in the event of query or challenge.</p>	<p>The Costa Coffee agreement has now been finalised and now in place.</p> <p>The contract is monitored on a regular basis to ensure compliance with the terms and conditions.</p> <p>All income due has now been recovered.</p>	<p>Director New Art Gallery – Stephen Snoddy</p> <p>Implemented</p>
7.3	***	<p>The building maintenance contract with Carter Synergy is not subject to regular monitoring. Checks are not undertaken to confirm that maintenance is being carried out in accordance with contract requirements.</p> <p>The maintenance and service reports from the firm are not signed off by gallery officers and instead reliance is placed on the contractor that the details recorded of each check are accurate.</p>	<p>Non-compliance with agreed specifications and poor contractor performance may go unnoticed and unaddressed.</p> <p>.</p>	<p>The Carters Synergy maintenance contract is now subject to regular spot checks to ensure works are being carried out in accordance with the contract and that corrective action is taken to address non-compliance. An agreed number of spot checks are carried out on a monthly basis and are appropriately recorded.</p> <p>Maintenance and service reports are signed by a designated gallery officer to confirm that details recorded are accurate. This will also ensure appropriate corrective action can be taken where checks have not been carried out in accordance with the contract specification.</p>	<p>Operations Manager – Mark Clancy</p> <p>Implemented</p>

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
7.4	***	The building works maintenance contract has not been market tested since it was awarded to Carters Synergy seven years ago.	Unable to demonstrate value for money in procurement.	Corporate procurement will be approached to assist in the tendering of this contract. A timetable will be formulated to identify responsibilities and timescales to ensure this contract is tendered during 2009/10. (*)	Director New Art Gallery – Stephen Snoddy Operations Manager – Mark Clancy Finance Manager – Victoria Fletcher 30 April 2011
7.5	**	From a sample of 6 invoices tested as part of the Stereographics service level agreement, it was found: <ul style="list-style-type: none"> In 5 cases, invoices had not been paid within 15 days from the date of receipt. (Ledger ref: 683303, 700487, 700519, 703875, 722606) Further, the corresponding job quotes from the firm relating to these invoices selected could not be provided during the audit.	Potential non-adherence to agreed payment terms. Non-achievement of BVPI8. Poor value for money in placing orders with contractors.	All invoices are paid as soon as practically possible, and within 15 days from the date of receipt, unless contract terms specify otherwise. (*) The quotation(s) relating to the Stereographics service will be located and held securely.	Finance Manager – Victoria Fletcher Implemented Finance Manager – Victoria Fletcher 30 September 2010
7.6	***	The Legion Security contract and supporting documentation could not be located during the audit.	Contract requirements are not clear due to misplaced documents. Contracts may be out of date and not reflective of current arrangements.	The Legion Security contract has been located and is now held securely.	Operations Manager – Mark Clancy Implemented

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

			Lack of audit trail.		
ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
7.7	***	<p>From the sample of 5 invoices tested as part of the Carter Synergy contract, it was found:</p> <ul style="list-style-type: none"> In 2 cases, the invoice had not been signed and dated to confirm it had been validated. (Ledger ref: 684498, 723335) In 1 case the invoice was not dated by the officer validating the invoice. (Ledger ref: 700582) In 1 case the invoice was not dated by the officer entering the invoice. (Ledger ref: 684498) In 4 cases invoices had not been paid within 15 days from the date of receipt. (Ledger ref: 700582, 713176, 684498, 711488) <p>It was not possible to verify the charges made by the firm as the contract schedule, or individual job quotations, could not be obtained during the audit.</p>	<p>Incorrect payments may be processed.</p> <p>Poor value for money in placing orders with contractors.</p>	<p>See Actions 7.1 & 7.5.</p> <p>The tendered price schedule, or individual job quotations, relating to the Carter Synergy building maintenance service will be located and held securely.</p>	<p>Finance Manager – Victoria Fletcher</p> <p>30 September 2010</p>

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

8. Programming and Exhibitions

AUDIT OPINION

Full assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Programme policy, aims and goals are detailed in the gallery's forward plan
- Programme meetings take place on a monthly basis.
- Each exhibition is allocated an individual budget which is monitored on a monthly basis by the finance manager.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
		None.			

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

9. Sponsorships and Donations

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Donation sheets are signed by both the completing and reviewing officers.
- Clear sponsorship policy and aims have been established

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
9.1	**	A procedure note for the collection and banking of donations is not in place.	Unauthorised procedures. In the absence of certain officers, other staff may not be aware of their roles and responsibilities.	A procedure note for the collection and banking of donations will be documented, approved and followed. Thereafter, the procedure will be reviewed on an annual basis and signed and dated by the completing officer.	Finance Manager – Victoria Fletcher 31 October 2010
9.2	**	There is no set timescale for the emptying and banking of money collected in donations boxes.	Unnecessary build up of cash, increasing the risk of theft. Collection not optimised.	Not agreed. Donation boxes are emptied as and when required.	Not applicable
9.3	***	The donations log has not been updated since 30 January 2009 due to staff shortages.	Errors or discrepancies may go unnoticed. Lack of complete management information. Unable to identify trends or potential problems.	The donations log will be updated to record all donations received and banked since 30 January 2009.	Finance Manager – Victoria Fletcher 31 October 2010

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
9.4	**	Although the gallery has been successful in securing some sponsorship, there is currently no programme to network with businesses and actively seek possible sponsorship.	Loss of potential sponsorship. Income sources not maximised.	Not agreed. Due to the current economic climate it is not possible for the service to secure sponsorships.	Not applicable
9.5	**	A signed copy of the sponsorship agreement which was in place with West Bromwich building society could not be located at the time of the audit.	Unauthorised sponsorship arrangements.	Signed copies of any future sponsorship agreements will be obtained and held securely.	Finance Manager – Victoria Fletcher Implemented

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

10. Grants and other Funding

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Heritage lottery funding has been secured to appoint an archivist on a temporary basis to catalogue and display the archive.
- There is joint working with other galleries in managing Art Fund International projects.
- The gallery attracts an annual Arts Council grant and £0.9m was secured for 2009/10.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
10.1	**	The service does not have a formal system in place to actively scan the market to identify possible partners and sources of funding. A list is not maintained of possible grant funding streams.	Loss of potential funding. Income sources not maximised. Unaware of additional funding streams.	A list will be held of possible grant funding sources, including a map of actions to ensure such income opportunities are maximised.	Finance Manager – Victoria Fletcher 30 September 2010
10.2	**	A record of 2008/09 external funding and sponsorship secured was held, however, a 2009/10 list has not yet been compiled.	Insufficient monitoring.	A list of 2009/10 external funding and sponsorship secured will be compiled and updated upon new funding being received.	Finance Manager – Victoria Fletcher 30 September 2010

New Art Gallery
AUDIT OPINION & ACTION PLAN

11. Promotional Activities

AUDIT OPINION

Full assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- A campaign plan is completed for every event and exhibition held.
- Various projects are undertaken to target differing audiences and encourage participation in the arts and visits to the New Art Gallery.
- Promotional material is of a good standard. Leaflets, posters and e-flyers are used to promote various event and exhibitions.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
		None.			

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

12. Physical Security and Checks

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- A building temperature schedule is maintained listing both summer and winter parameters.
- The building is fitted with a CCTV system which is monitored by Legion security.
- Access to the art store is restricted to authorised officers.
- The operations manager completes a weekly visual check of the building to identify any faults, hazards and works required.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
12.1	***	The 2009/10 insurance policy listing the named locations of gallery exhibits includes other council buildings which no longer loan or store art gallery collection items. (Ref: Walsall Leather Museum, Unit B, HSBC, Aldridge library, Willenhall Museum store) In addition, the exhibits located at Tim Challans' former office (Tameway Tower) are not included on the insurance policy.	Inappropriate insurance cover. Inaccurate information.	The 2009/10 insurance policy will be updated to: <ul style="list-style-type: none"> • remove any locations which no longer have New Art Gallery exhibits on loan or where future loans are unlikely. • ensure the policy includes all council buildings which currently have gallery exhibits on loan. 	Director New Art Gallery – Stephen Snoddy Collections Curator – Jo Digger Operations Manager – Mark Clancy 30 September 2010
12.2	**	The schedule of building works does not include the date the fault/hazard was identified or the date works were completed. Also, no record is kept that works have been inspected and properly completed.	Works may not be carried out within the required timescales. Faults/hazards identified on the schedule may not be fully rectified.	The schedule of works has been reviewed to include: <ul style="list-style-type: none"> • the date the fault/hazard is identified • the date the works are completed. • signature of the inspecting officer certifying that works have been completed and have rectified the reported fault/hazard. 	Operations Manager – Mark Clancy Implemented

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
12.3	**	The 'permanent collection security check' schedule was last updated in 2006. Also, the schedule is not used to assist officers with their checks and is neither signed or dated to confirm the checks have been completed.	Out of date records. Checks may not conducted.	The 'permanent collection security check' schedule will be regularly updated to ensure the location of exhibits are accurately recorded. The 'permanent collection security check' schedule will be completed by the officer undertaking the security check who will sign and date to confirm checks have been completed.	Director New Art Gallery – Stephen Snoddy Collections Curator – Jo Digger Operations Manager – Mark Clancy 30 September 2010

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

13. Budgetary Monitoring and Management Information

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- The visitor assistant monitors the number of visitors on a weekly basis and notifies all staff via email.
- Oracle reports are received promptly each month
- The gallery's finance manager has regular liaison with the service accountant.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
13.1	**	At the start of the 2009/10 financial year there was a delay in undertaking a full monthly budget monitoring exercise due to a number of exhibition budget virements in process. The Arts Council quarterly return was subsequently delayed and submitted in August.	Errors may go unnoticed. Significant under / overspends may go-unnoticed. Non-achievement of deadlines.	The finance manager now ensures that summary budget management information is produced on a monthly basis where any future budget monitoring delays are identified. This will assist accountable budget holders in monitoring their budgets.	Finance Manager – Victoria Fletcher Implemented
13.2	**	New Art Gallery opening hours are not subject to a formal, regular review.	Trends may go un-noticed. Service may become inefficient and too costly. Opening hours not optimised.	A review of New Art Gallery opening hours is now completed on a regular basis.	Operations Manager – Mark Clancy Implemented

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

14. Performance Management

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- The New Art Gallery has been accredited by the Museums, Libraries and Archives Council.
- Team briefings are held on a weekly basis and the minutes circulated to all staff.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
14.1	**	The gallery's 2009/10 forward plan was completed in June 2009, several weeks after the commencement of the period to which it relates.	Non-achievement of targets. Restricted time available in which to achieve the plan.	The annual forward plan will be completed, where possible, prior to the commencement of the forthcoming financial year to ensure objectives are fully documented and an early start can be made towards achieving these goals.	Director New Art Gallery – Stephen Snoddy Operations Manager – Mark Clancy 31 March 2011
14.2	***	Performance indicator information was not made available at the time of the audit. Therefore, it could not be determined if the service is clear on its performance indicators and whether regular monitoring is undertaken.	Targets may be not be achieved.	The goals contained within the gallery's forward plan are monitored in writing on a quarterly basis; considered by the gallery's management team; and considered at IPM meetings and as part of the service plan monitoring process. Information will be made available to the auditor for future audits without exception.	Director New Art Gallery – Stephen Snoddy Implemented

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
14.3	**	The health and safety action plan is still in draft status and has not been signed and dated by the completing and reviewing officers. In addition, the review/completion date has not been finalised.	Unauthorised documents. Non-achievement of targets.	The health and safety action plan has now been updated, finalised and signed/dated by both the completing and reviewing officers. In addition, the action plan will be signed and dated upon each review to evidence the update.	Operations Manager – Mark Clancy Implemented
14.4	**	In 2007 work was carried out towards an equality impact assessment in regard to the provision of services to schools. However, this was not completed due to the officer carrying out the assessment leaving. Due to the delay in the assessment re-commencing, data collected was out of date and no further action was taken towards its completion.	Incomplete records. Non-achievement of equality targets. Fundamental equality issues may not be addressed.	The equality impact assessment regarding the provision of services to schools will be completed within an agreed timescale and submitted to the equality board for approval.	Events & Education Curator – Zoe Renilson 31 October 2010
14.5	**	2 IPM's were selected for inspection and it was found that: <ul style="list-style-type: none"> a target setting plan and personal development plan had not been completed in either case. IPM's had not been completed within the required 6 months frequency. In addition, it was found that 3 senior manager IPMs had not been completed since 2007.	Service targets and personal development goals not achieved. Non-compliance with corporate procedures.	All sections of the IPM form will be fully completed, and signed and dated by both the officer and manager to confirm agreement of the actions set. IPM's will be carried out by managers every 6 months, in accordance with the council's guidelines. This ensures staff issues and training needs are addressed and acted upon accordingly. (*)	Director New Art Gallery – Stephen Snoddy Operations Manager – Mark Clancy 30 September 2010

**New Art Gallery
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
14.6	*	Records are not maintained to evidence that staff have received the appropriate health and safety training.	Loss of opportunity in recognising service achievements. Lack of information to review training needs.	All staff health and safety training is now recorded to enable the operations manager to monitor and identify training gaps. This also enables the service to recognise staff training achievements.	Operations Manager – Mark Clancy Implemented
14.7	**	At the time of the audit there was limited documentation available to support the gallery's approach to risk management, specifically: <ul style="list-style-type: none"> • Risk assessments provided related to events/exhibitions held in November and December 2008 and were not available for events/exhibitions held during 2009. • An action plan was not provided to evidence how risks will be managed and mitigated. 	Non-compliance with corporate procedures.	Risk assessments undertaken and a supporting action plan produced to mitigate these risks will be completed to identify generic risks and those relating to forthcoming events and exhibitions. The action plan will be reviewed by a designated officer on a regular basis and signed to evidence the review. High level risks identified through the risk assessment process will be considered for inclusion within the directorate or corporate risk register.	Operations Manager – Mark Clancy 30 September 2010
14.8	***	Sickness records were not made available at the time of the audit. Sickness testing could not therefore be undertaken.	Non-compliance with corporate sickness absence policies Sickness records may be misplaced / incomplete.	Officers now ensure that sickness records are up to date, readily available at all times and held securely.	Operations Manager – Mark Clancy Implemented

Walsall Council
Internal Audit Service

**Independent Sector – Day Care,
Residential and Residential Nursing.**

Audit Report 2009 / 2010
September 2010

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EXECUTIVE SUMMARY

A. Introduction

1. An audit review of independent sector – day care, residential and residential nursing was undertaken as part of the annual audit plan.
2. The independent sector provides day care, residential and residential nursing services to older people and vulnerable people with specific care needs including learning disabilities and mental health disabilities.
3. The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed audit report actions and to seek assurance that:
 - procedures are comprehensively and appropriately documented; and available to all relevant staff;
 - independent service provider vetting is robust;
 - the process for awarding of contracts to independent sector providers is robust and value for money and compliance with financial and contract rules can be demonstrated;
 - there are adequate arrangements in place for the placement of clients;
 - payments to independent sector providers are effectively controlled;
 - client contributions are appropriately calculated and recovered;
 - adequate arrangements for the recovery of arrears are in place;
 - there is adequate budget monitoring; and
 - performance management is maintained.
4. The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (***), medium (**) or low (*).
5. Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers will be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
6. Under the Council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
7. The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.
8. All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this

area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B. Overall Audit Opinion

1. Internal audit is able to give a limited assurance opinion on the system of internal control operating within independent sector – day care, residential and residential nursing as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
→	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

5. A number of good practices were noted during the audit, including;
 - the service complies with the fairer charging policy which is updated on an annual basis and also the 'charging for residential accommodation guidelines' which is updated annually by the Department of Health;
 - monthly budget meetings are held and are discussed at DMT and SMT, over and under spends are detailed and corrective action identified.
 - the service plan is monitored on a quarterly basis; and
 - annual benchmarking is completed and monitored by the performance team.
3. Most areas reviewed were found to require improvement. Controls regarding the monitoring and vetting of independent care providers; the management and administration of contracts and procurement; service user placements; payments to providers; client contributions and the recovery of arrears and overpayments all require strengthening.
4. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.
5. There were 4 agreed actions in the last audit. Of these, 2 were no longer applicable and 1 has been implemented. The 1 unimplemented, or partially

implemented actions have been reiterated in this report, marked (*) in the action plan.

6. Most actions within the report are considered to be of a high priority.

C. Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Policies & Procedures		✓		
Service Provider Vetting			✓	
Contracts & Procurement			✓	
Service User Placement			✓	
Payment to Contractors			✓	
Client Contributions			✓	
Recovery of Arrears & Client Overpayments			✓	
Budget Monitoring		✓		
Performance Management	✓			

D. Acknowledgements

1. Please thank all staff who contributed to this audit for their help and co-operation during the audit, particularly for making records available and providing suitable accommodation for the auditor.

Independent Sector – Day Care, Residential & Residential Nursing
AUDIT OPINION & ACTION PLAN

1. Policies & Procedures

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- The service complies with the fairer charging policy which is updated on an annual basis and also the 'charging for residential accommodation guidelines' which are updated annually by the Department of Health.
- Procedures are comprehensively written and detail processes clearly.
- All policies & procedures are signed and dated by the author and are checked by a second officer.
- A folder is maintained of all policies & procedures. The folder is divided into residential and non-residential sections and procedures have been appropriately filed.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	**	Procedures have not been reviewed or updated for up to 5 years.	Out of date procedures. In the event of query, the preparing officer may not be identifiable. Officers may be unable to conclude whether procedures are current/in date.	All written procedures will be reviewed on an annual basis. The reviewing officer will then sign and date the procedure notes to evidence that a review has been completed and amendments made where appropriate.	Bev Parslow - Specialist Debtors team manager 30 September 2010.

**Independent Sector – Day Care, Residential & Residential Nursing
AUDIT OPINION & ACTION PLAN**

2. Service Provider Vetting

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Monitoring forms are sent out on a regular basis to care providers by the contract monitoring team.
- The contracts & procurement team has been completing a full review of residential, residential nursing and day care contracts with the aim of streamlining rates for all care providers.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	***	Concerns raised regarding a sample of 6 providers were examined and it was found that from a total of 41 concerns received only 8 had been closed. Outstanding concerns date back as far as 2007.	Potential risk to service user safety and well being. Council's reputation may be at risk.	All cases of concern showing as open on the CAPS system will be reviewed to ensure that system information held is reliable and up to date. Concerns will be resolved as promptly as possible.	Sharon Wright - Procurement Manager 28 July 2010.
2.2	***	Of the 6 providers sampled, 2 had not returned monitoring forms A, B or C during 2009/10. Review of the council's response to this identified that only quarter's 1 & 3 form 'C's had been chased. Both of these providers are currently suspended. (Parklands Court and Willows Nursing Home). Arboretum Day Care centre had not returned form C quarter 1 monitoring and there is no evidence provided to suggest this form was chased. Brownhills Nursing Home had not returned monitoring form 'C' during 2009/10, but only quarter 1 had been	Insufficient monitoring undertaken. Under-performing providers may go unnoticed. Providers may be submitting inaccurate / misleading information, unnoticed.	Prompt follow up action will be taken for the non-return of quarterly contract monitoring forms in accordance with the following process: 1) Non Submissions of monitoring returns will be followed up at 4 weekly intervals after the deadline. If no return is received within 12 weeks of the original deadline the contract management team will consider and if necessary take appropriate enforcement action. 2) Monitoring information will be validated as and when triggered by other key performance indicators emerging from adult	Sharon Wright - Procurement Manager 29 October 2010.

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		<p>chased.</p> <p>It was further identified that providers are not required to submit evidence to support information provided in completed contract monitoring forms.</p> <p>Procurement officers do not carry out contract provider site visits unless there is a concern raised or a provider has rated themselves as 'low' on a contract monitoring form. This is due to the restricted number of monitoring officer resources available.</p>		<p>protection, regulatory, operational, concern/complaint and financial management activity.</p> <p>3) Contract monitoring visits will be undertaken in accordance with the monitoring risk profile matrix or if triggered by heightened adult protection, regulatory, operational management, financial management and concern/complaint activity.</p>	
2.3	***	<p>Monitoring of Rushall Day Care centre has not been undertaken in 2009 / 10 because it was incorrectly entered onto the CAPS monitoring system as an external provider.</p>	<p>Poor performance may not be identified.</p> <p>Potential risk to service user safety and well being.</p>	<p>CAPS data entry has been validated by a contract officer and countersigned by the contract manager. Evidence of this has been placed on the contract files</p> <p>All existing data will be reviewed and validated by the providers and updated if necessary as part of the annual provider return. A deadline will be set for the 30 July each year.</p> <p>Monitoring forms have been issued to Rushall Day Care centre.</p>	<p>Sharon Wright - Procurement Manager Implemented.</p> <p>Sharon Wright - Procurement Manager 29 October 2010.</p> <p>Sharon Wright - Procurement Manager Implemented.</p>
2.4	**	<p>There are no routine procedures in place to address the failure of external providers to return quarterly and annual monitoring forms.</p>	<p>Potential non-compliance with contract terms.</p> <p>Inability to address potential contract provider issues.</p>	<p>A 'three strikes and you're out' procedure will be documented to include the following detail:</p> <p>1) dispatch initial request 2) dispatch reminder 3) dispatch 2nd reminder which states the</p>	<p>Sharon Wright - Procurement Manager</p> <p>30 September 2010.</p>

Independent Sector – Day Care, Residential & Residential Nursing
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				<p>enforcement action taken if failure to respond persists</p> <p>4) enforcement action to be taken in accordance with the contract terms.</p> <p>This procedure will be communicated to all contracts & procurement employees to ensure a consistent approach is maintained.</p>	
2.5	**	The contract monitoring framework guidance has not been reviewed / updated since October 2007.	Procedures may not be reflective of current practice.	<p>The contract monitoring framework is updated as and when changes in legislation occur.</p> <p>A review of the contract management framework will be undertaken during 2010/2011 in accordance with key Care Quality Commission regulatory changes and to make it fit for future 'personalisation agenda' changes.</p>	<p>Sharon Wright - Procurement Manager</p> <p>29 October 2010 – changes update.</p> <p>31 March 2011 - review update.</p>

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AUDIT OPINION & ACTION PLAN**

3. Contracts & Procurement

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Tender bids have recently been invited for the provision of residential and nursing care.
- The tenders accepted have been given a rank which takes into account the CQC rating given, availability and ability to meet the contract specification.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	**	Charges recorded within contracts with 3 out of 6 care providers had not been updated despite charges being increased annually: <ul style="list-style-type: none"> • Rushall Day Care charges had not been updated since 2003; • Brownhills Nursing Home charges had not been updated since 2004; and • Willows Nursing Home charges had not been updated since 2004. 	Out of date contractual information. Lack of complete audit trail.	Contractual charges have now been updated. A notification of annual fee uplifts is now dispatched on an annual basis where applicable. An audit trail of fees uplifts is now held on contract files and the contracts database.	Sharon Wright - Procurement Manager Implemented.
3.2	**	From examination of 6 contracts it was found that: <ul style="list-style-type: none"> • 3 did not include the contract agreement date (Arboretum Day Care, Parklands Court and Aldridge Court). • 3 did not state the contract period. (Parkland court, Aldridge Court and Brownhills Nursing 	Incomplete records. Terms of contract may not be known if disputed.	All contracts will clearly detail the commencement date and the contract period. This will be agreed by the care provider and the local authority.	Sharon Wright - Procurement Manager 30 July 2010.

Independent Sector – Day Care, Residential & Residential Nursing
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**Independent Sector – Day Care, Residential & Residential Nursing
AUDIT OPINION & ACTION PLAN**

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.3	***	From examination of 6 contracts it was found that 1 did not appear to have a contract charge included. (Parkland Court).	Inability to determine contract price in the event of query / challenge. Potential loss of income due to over payment of contract charge.	Contracts now clearly detail the agreed charge.	Sharon Wright - Procurement Manager Implemented.
3.4	**	There is no documented procedure in place to detail the awarding of contracts to day care providers.	Inconsistency in practice. In the event of a query, staff may not be aware of duties and responsibilities in respect of contract award.	Current day care contracts have been extended until October 2011 and have never been through a tendering process. Once a tendering exercise is agreed for day care a procedure of how this process is completed will be documented and shared with the contracts & procurement team.	Sharon Wright - Procurement Manager October 2011.
3.5	***	The procurement manager confirmed that day care had never been put out to tender and existing agreements were put in place some time ago prior to EU procurement and other legislative/statutory requirements. Following a monitoring exercise in 2007, it was agreed that it was not reasonable to put the service out to tender as a significant market place development need had been identified. In order to ensure value for money during the market development phase a review was conducted in 2007 which informed a more recent review and contract renegotiations.	Potential non-compliance with financial and contract rules. Services users may be put at risk if providers not sufficiently vetted. Value for money may not be obtained. Lack of contractual protection in the event of query / challenge.	The procurement arrangements for day care providers will be reviewed as a matter of urgency. Procurement options will be considered again prior to the expiry of the current contractual arrangement in accordance with commissioning requirements.	Anne Doyle - Commissioning Manager (Day Care) & Sharon Wright - Procurement Manager 31 March 2011.

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		Tendering was again reconsidered last year and a documented business case built which generated a decision not to put the services out to tender in view of the emerging changes in need and demand linked to personalisation agenda.			
3.6	***	There are no contracts in place with non-contracted residential and nursing providers and there is no evidence that financial and contract rules have been complied with when commissioning such providers.	<p>Potential non-compliance with financial and contract rules.</p> <p>Services users may be put at risk if providers not sufficiently vetted.</p> <p>Value for money may not be obtained.</p> <p>Lack of contractual protection in the event of query / challenge.</p>	<p>Use of non contracted suppliers will be reviewed as a matter of urgency.</p> <p>Procurement action is in progress to bring non-contracted providers onto a contract or to be terminated therefore moving care packages away from non-contracted providers.</p>	<p>Sharon Wright – Procurement Manager & Lloyd Broderick - Commissioning Manager (Domiciliary Care)</p> <p>October 2011.</p>

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4. Service User Placement

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Care plans are completed by the client's social worker in accordance with their care needs.
- Inflation increases are applied to charges each year.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.1	***	<p>From a sample of 20 residential and nursing service users examined it was found that:</p> <ul style="list-style-type: none"> on 3 occasions a standard WSS1010 contract form had not been completed. (Ref 5394, 2347, 3505). on 1 occasion the WSS1010 had not been signed and dated by the budget holder. (Ref 12886). on 1 occasion a WSS1010 had not been completed. (Ref 12929). 	<p>Relevant detail may not be recorded in the contract between the client, provider and council.</p> <p>Potential for unauthorised placements / payments being.</p>	<p>A WSS1010 is now completed for all residential and nursing care placements and signed and dated by the provider, budget holder and service user.</p>	<p>Bev Parslow - Specialist Debtors team manager</p> <p>Implemented.</p>

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Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.2	***	<p>From a sample of 20 service users in receipt of residential and nursing care services examined, it was found that:</p> <ul style="list-style-type: none"> on 4 occasions the incorrect charge had been input onto NURRCIS when compared to the contract charge. (Ref 13169 – contract £377.00, NURRCIS £377.23, 3505 – contract £300, NURRCIS £275, 1472 – contract £403.83, NURRCIS £378.52, 10048 – contract £362.13, NURRCIS £343.82). 	<p>Incorrect charges made.</p> <p>Potential loss of income to the authority.</p>	<p>The charge on NURRCIS will be amended to reflect the correct charge for the service users identified.</p> <p>Officers now ensure that the correct charges are input onto NURRCIS.</p>	<p>Bev Parslow - Specialist Debtors team manager 30 September 2010.</p> <p>Bev Parslow - Specialist Debtors team manager</p> <p>Implemented.</p>
4.3	**	<p>From a sample of 15 service users in receipt of day care services, it was found that:</p> <ul style="list-style-type: none"> on 1 occasion the purchase order had not been signed or dated by the officer inputting the details on FISCOP. (Ref 588408). on 3 occasions the purchase orders had not been input onto FISCOP within the 2 day deadline. (Ref 585916, 585794 & 587388). 	<p>Unable to identify inputting officer in the event of a query.</p> <p>Service target might not be achieved.</p>	<p>Officers now ensure that the purchase order is signed and dated by the officer inputting the details on FISCOP.</p> <p>Once resource issues have been addressed purchase orders will be entered onto FISCOP within the 2 day deadline set within the service plan.</p>	<p>Martin Quinn - Performance & audit manager</p> <p>Implemented.</p> <p>Martin Quinn - Performance & audit manager</p> <p>March 2011</p>

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AUDIT OPINION & ACTION PLAN**

5. Payment to Contractors

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- All invoice samples taken for residential, residential nursing and day care invoices were relating to the appropriate provider and orders.
- Purchase orders were identified for all samples taken of day care clients; not all were appropriately requisitioned and authorised.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
5.1	***	<p>From a sample 20 residential and nursing care service users and 15 day care service users examined, it was found that:</p> <ul style="list-style-type: none"> on 2 occasions the amount charged on the invoice was different to the amount in the contract. (Ref 1799 and 3695 – nursing and residential) on 4 occasions the amount charged on the invoice was different to the amount on the purchase order. (Ref 568602, 586001, 139539 and 587388 – day care). 	<p>Over / under payments may be made.</p> <p>Inaccurate records maintained.</p>	<p>Care will be taken to ensure that the correct charges are being made for the service users identified.</p> <p>Officers will ensure that correct charges have been made before invoices are passed for payment.</p> <p>Invoice charges are now matched to the original order.</p>	<p>Bev Parslow - Specialist Debtors team manager</p> <p>30 September 2010.</p> <p>Anne Doyle - Commissioning Manager (Day Care) & Tracey Martin - Commissioning Support Officer</p> <p>Implemented.</p>

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Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
5.2	***	<p>From a sample 20 residential and nursing service users and 15 day care service users examined it was found that:</p> <ul style="list-style-type: none"> 6 out of 17 invoices examined had not been authorised. (Ref 3695, 4603, 11694, 13169, 1472 and 5029 – residential and nursing). 1 out of 8 invoices examined had not been authorised. (Ref 585816 – day care). 	<p>Unauthorised payments made.</p> <p>Potential for budget overspend.</p>	<p>Invoices are now not processed for payment until they have been signed by an authorised signatory.</p> <p>The process for paying day care invoices has recently been amended. All day care invoices are now checked by the commissioning team to FISCOM and authorised prior to processing the payment.</p>	<p>Bev Parslow - Specialist Debtors team manager</p> <p>Implemented.</p> <p>Anne Doyle - Commissioning Manager (Day Care) & Tracey Martin - Commissioning Support Officer</p> <p>Implemented.</p>
5.3	***	<p>From a sample 20 residential and nursing service users and 15 day care service users examined it was found that:</p> <ul style="list-style-type: none"> 3 out of 17 invoices had not been paid within 15 days from date of receipt. (Ref 11149, 3505 & 13169 – residential and nursing). 4 out of 8 invoices had not been paid within 15 days from date of receipt. (Ref 567448, 585794, 139539 & 568602 – day care). 1 out of 17 invoices had not been stamped with the date received (Ref 5394 – residential and nursing). 1 out 17 invoices not been 	<p>Potential non-adherence to agreed payment targets and non achievement of BVPI8.</p> <p>Poor supplier relationships.</p> <p>Unable to determine if paid on a timely basis.</p> <p>Potential for duplicate payments to be made.</p>	<p>All invoices will be paid as soon as practically possible, and within 15 days from the date of receipt, unless contract terms specify otherwise.</p> <p>A memo has been sent to all staff reminding them that invoices should be paid within 15 days from date of receipt.</p> <p>All invoices will be stamped with the date that they are received and paid.</p>	<p>Bev Parslow - Specialist Debtors team manager 30 September 2010.</p> <p>Sharon Noble - Assistant Financial Administration & Support Manager</p> <p>Implemented.</p> <p>Bev Parslow Specialist Debtors team manager</p>

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		stamped with the date it had been paid. (Ref 1799 – residential and nursing).			Implemented.
5.4	**	From a sample 20 residential and nursing service users and 15 day care service users examined it was found that on 1 occasion the invoice had 15% VAT however invoices for care provision are exempt (ref 586001 – day care).	VAT may be inappropriately reclaimed.	Officers will ensure that the correct amount of VAT is included on invoices for care provision.	Sharon Noble - Assistant Financial Administration & Support Manager 30 September 2010.
5.5	**	From a sample 20 residential and nursing service users and 15 day care service users examined it was found that: <ul style="list-style-type: none"> 2 out of 17 invoices could not be located at the time of the audit. (Ref 4962 and 13256). 	Documents might be lost. Lack of audit trail in the event of a query.	Invoices will be retained on file and held securely.	Iain Horan - Financial Administration & Support Manager 30 September 2010.
5.6	**	From a sample 20 residential and nursing service users and 15 day care service users examined it was found that on 1 occasion an invoice had not been paid as there was a dispute which had been ongoing since 17 June 2009. (Ref 4962 – residential and nursing).	Disputes not resolved promptly. Poor supplier relationships.	Disputed invoices will be resolved promptly. It will ensure that the invoice identified is resolved as soon as possible.	Bev Parslow - Specialist Debtors team manager 30 September 2010.
5.7	***	During discussions with the financial admin and support manager it was identified that day care invoices are not sent to the relevant localities team for confirmation that goods have been received and the price is correct but are signed within the consolidated creditor's team. It was recommended	Care may not have been provided. Incorrect charges may have been made.	A review of process for checking and authorising day care invoices has been undertaken to ensure that confirmation is received from the appropriate council officer that goods have been received and the price is correct. The process for paying day care invoices has now been reviewed and subsequently amended.	Anne Doyle - Commissioning Manager (Day Care) & Tracey Martin - Commissioning Support Officer

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		by the head of older people's services that this checking will be undertaken at the day care centre.		All day care invoices are now checked by the commissioning team to FISCOM prior to processing the payment.	Implemented.
5.8	***	Day care invoices are not checked to FISCOM to ensure that the invoice charge is correct or that any variation orders have been taken into account and reflected on the invoice.	Incorrect payments may be made.	The process for paying day care invoices has now been reviewed and subsequently amended. All day care invoices are now be checked by the commissioning team to FISCOM prior to processing the payment.	Anne Doyle - Commissioning Manager (Day Care) & Tracey Martin - Commissioning Support Officer Implemented.
5.9	***	Residential and nursing homes are no longer requested to complete admissions and discharge forms, reliance is therefore placed on the care provider, social worker or service users relative to report that a service users placement has ceased.	Council may not be notified of a service users placement ceasing. Overpayments may be made.	The use of admission and discharge forms has been resumed.	Hema Patel - Interim Financial Administration & Support Manager Implemented.

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6. Client Contributions

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- The assessment is calculated with guidance taken from the fairer charging policy for day care and the Charging for residential accommodation guidelines (CRAG) for residential.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
6.1	***	<p>From a sample 20 residential and nursing service users and 15 day care service users examined it was found that:</p> <p>Residential and nursing:</p> <ul style="list-style-type: none"> • on 2 occasions a financial assessment had not been completed (Ref 12929, 13256). • on 1 occasion a service user had not been assessed since 2007 (Ref 1472). • on 1 occasion a copy of the assessment was not held on the service users file or on NURRCIS. (Ref 11694) <p>Day care:</p> <ul style="list-style-type: none"> • on 3 occasions a financial assessment had not been completed (Ref 586001, 587388, 587494 – day care). • on 1 occasion a service user had 	Potential loss of income to the local authority.	<p>Financial assessments will be completed for all clients on an annual basis – if there have been no changes the assessment will be dated to show that it has been reviewed. Any changes to the client contribution amount will be amended on the client system profile and updated on the financial assessment database. Care will be taken to ensure that financial assessments are retained securely on file. (*)</p> <p>Financial assessments will be undertaken immediately for the exceptions identified.</p>	<p>Bev Parslow - Specialist Debtors' team manager</p> <p>30 September 2010.</p>

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		received day care from 20/11/07 to 14/08/09 but had never had an assessment completed. (Ref 587388).			
6.2	***	From a sample 20 residential and nursing service users and 15 day care service users examined it was found on 1 occasion that the service user's contribution had not been deducted from the provider's invoice since December 2008. (Ref 10987 – nursing and residential)	Overpayment made.	Officers will ensure that service user's contributions are deducted from invoices where appropriate. It will be ensured that the overpayment made, for the service user identified, is recovered from the provider.	Bev Parslow - Specialist Debtors team manager 30 September 2010.
6.3	***	From a sample 15 day care service users examined it was found that on 1 occasion a service user's attendance at a day care centre for 1 day a week had not been included on the financial assessment.. (Ref 584485)	Inaccurate and incorrect financial assessments completed. Potential loss of income to the authority.	Care will be taken to ensure that financial assessments include all care received in order to accurately assess the client contribution. The assessment for the service user identified will be updated to include the correct information.	Iain Horan - Financial Administration & Support Manager 30 September 2010.
6.4	***	Residential, nursing and day care service user assessments are signed by the completing officer using an automatic signature; the assessments are not checked by a second officer.	Errors and omissions may not be noticed.	All financial assessments will be checked by a second officer who will sign the assessment as evidence the check has been undertaken.	Bev Parslow Specialist Debtors team manager 30 September 2010.
6.5	**	The auditor was informed by the manager of the specialist debtors team that there are only two keys to the safe which can cause problems when both key holding officers are out of the office.	Lack of security when cash received.	Key holding arrangements will be reviewed to ensure operational continuity.	Bev Parslow Specialist Debtors team manager 30 September 2010.

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Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
6.6	***	The officer, within the specialist debtors' team, who collects day care monies also reconciles and banks the income.	Lack of segregation of duties. Errors, omissions or theft may go unnoticed.	To maintain segregation of duties, a second officer now countersigns the paying in slip. Bank reconciliations are now signed and dated by an independent officer to confirm the amounts banked.	Bev Parslow Specialist Debtors team manager Implemented.
6.7	***	There are approximately 100 clients awaiting a financial assessment. All WSS80 (care provided by non contracted providers) service users currently default to a zero charge.	Loss of income to the authority.	All outstanding financial assessments will be completed as a matter of urgency.	Iain Horan - Financial Administration & Support Manager 30 September 2010.

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7. Recovery of Arrears & Client over Payments

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Arrears have been discussed as part of the business support team meeting; identifying improvements are required especially for day care.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
7.1	**	Procedures for arrears and over payments have not been reviewed for over 12 months.	Out of date procedures. Officers may be unable to conclude whether procedures are current/in date.	Procedures for arrears and overpayments will be reviewed.	Hema Patel Interim Financial Administration & Support Manager 30 September 2010.
7.2	***	Reports are not produced for day care charges showing the following: <ul style="list-style-type: none"> • service users with arrears. • overpayments made by service users. • overpayments made to the service provider. 	Outstanding debts may not be recovered. Loss of income to the authority. Service users who have overpaid may not be refunded promptly.	Officers will ensure that reports are provided for day care charges showing the following: <ul style="list-style-type: none"> • service users with arrears. • overpayments made by service users. • overpayments made to the service provider. It will be ensured that reports are monitored on a regular basis and appropriate action taken promptly to recover outstanding debts and refund any overpayment made.	Hema Patel Interim Financial Administration & Support Manager 30 September 2010.

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AUDIT OPINION & ACTION PLAN**

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
7.3	***	Arrears and overpayment reports are not produced or reviewed on a standardised regular basis for residential and nursing care charges.	Outstanding debts may not be recovered. Loss of income to the authority.	The process for the recovery of residential and nursing arrears will be reviewed to ensure that reports are produced and arrears pursued on a monthly basis.	Hema Patel Interim Financial Administration & Support Manager 30 September 2010.
7.4	***	A report was provided showing residential and nursing overpayments. From a sample of 10 residential and nursing arrears cases examined it was found that: <ul style="list-style-type: none"> on 1 occasion the service user contributions were being deducted from their personal monies but this had not been entered onto NURRCIS. (Ref 8720). on 2 occasions overpayments had been made to care providers but no action had been taken to recover these amounts. (Ref 11694, 12318). 	Inaccurate information maintained. Loss of income to the local authority. Service providers / users may be pursued for debts that they do not actually owe.	Officers will ensure that service user details are accurate and up to date on NURRCIS to ensure that overpayment reports reflect the correct information. Officers will ensure that overpayments are promptly recovered from service providers.	Bev Parslow Specialist Debtors team manager 30 September 2010.
7.5	***	From a sample of 10 residential and nursing arrears cases examined it was found that the arrears were incorrectly recorded as follows: <ul style="list-style-type: none"> on 1 occasion the service user had been funded by continuing health care from 9.4.09 but this had not been entered on NURRCIS and had not been claimed back from the PCT pooled budget. (Ref 3695). on 1 occasion the client had died on 31.3.09 but the placement had not been closed on NURRCIS. (Ref 3363) 	Inaccurate records maintained. Loss of income to authority.	Officers will ensure that service user details are accurate and up to date on NURRCIS to ensure that arrears reporting reflect the correct information. It will be ensured that funding is claimed back from the PCT pooled budget.	Bev Parslow Specialist Debtors team manager 30 September 2010.

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8. **Budget Monitoring**

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Monthly budget meetings are held and are discussed at DMT and SMT, over and under spends are detailed and corrective action identified.
- Monthly budget meetings are held which each budget holder.
- Variances are detailed within the budget meetings as well as the overall budget variance for adult services as a whole.
- The information provided in budget meetings is clear, detailed and a written explanation is provided.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
8.1	**	The signed accountability memo could not be located at the time of the audit.	Lack of evidence Documents not available if a query was raised.	Officers now ensure that signed accountability memos are retained and held securely.	Chris Hinton Senior accountant Implemented

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9. **Performance Management**

AUDIT OPINION

Full assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- The service plan is monitored on a quarterly basis.
- An action plan is put in place to address any remedial activity.
- Year end performance is reported and discussed at performance board and improvement actions are identified.
- Annual benchmarking is completed and monitored by the performance team. Each year service data is provided to the association of directors for social services (ADSS) and Tribal who then collate all local authority information and compare like by like local authority data.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
		None			

Walsall Council
Internal Audit Service

Community Meals
Contract Monitoring

Audit Report 2009 / 2010
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- 4. Joint Working
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- 6. Procedure Notes
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- 8. Variations
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- 10. Non Financial Contract Deliverables
- 11. Performance Monitoring and Reporting
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EXECUTIVE SUMMARY

A. Introduction

1. An audit review of community meals contract monitoring was undertaken during March 2010 as part of the annual audit plan. The council has a comprehensive agreement in place with Sodexo Healthcare Services for the provision of community meals i.e. to provide hot and frozen meals to older and vulnerable residents within Walsall.
2. The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed audit report actions and to seek assurance that:
 - adequate planning, service strategies and customer consultation are in place;
 - service performance is monitored and managed;
 - the service operates within the corporate performance management framework, including:

○ workforce planning	○ risk management
○ IPM	○ Communications
○ equalities	○ sickness management
○ procurement	○ health & safety
○ budgetary control	○ information governance
○ business continuity	
 - joint working with partners and other council services is effective;
 - key controls are in place to guard against fraud and irregularity;
 - procedure notes are in place detailing officers' responsibilities in respect of the overall day to day arrangements for monitoring the contract;
 - effective contract management and control arrangements are in place;
 - variations are adequately controlled and managed in accordance with original contract terms;
 - controls regarding payments in respect of the contract are robust;
 - non financial contract deliverables are adequately monitored; and
 - there are effective performance monitoring and reporting arrangements.
3. The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (**), medium (*) or low (*).
4. Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.

Community Meals Contract Monitoring

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5. Under the Council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
6. The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.
7. All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B. Overall Audit Opinion

1. Internal audit is able to give a limited assurance opinion on the system of internal control operating within community meals contract monitoring, as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
➔	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

6. Some good practices were noted during the audit, including; the existence of a comprehensive 3 year agreement between the council and Sodexo, terminating on 31 December 2010; and regular operational meetings held between representatives of the council and Sodexo.
7. Most areas reviewed required improvement. For example, the need to:
- strengthen overall management arrangements for the management and administration of new referrals and variations to provision;
 - implement a system for validating data provided by Sodexo;
 - ensure that robust procedures are in place for contract monitoring, together with roles and accountabilities assigned;
 - ensure that comprehensive procedures notes and a debt management policy are in place; and
 - develop council systems to ensure that useful management information can be obtained.
4. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.
5. As this has been the first audit review of community meals contract monitoring there were no previously agreed actions to follow up.

Community Meals Contract Monitoring

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6. Most actions within the report are considered to be of a high priority.

C. Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Planning, Service Strategies and Customer Consultation			✓	
Service Performance			✓	
Performance Management			✓	
Joint Working		✓		
Anti Fraud and Irregularity			✓	
Procedure Notes			✓	
Contract Management and Control Arrangements			✓	
Variations			✓	
Payments			✓	
Non Financial Contract Deliverables		✓		
Performance Monitoring and Reporting			✓	
Management Information and Budgetary Control			✓	

D. Acknowledgements

1. Please thank the commissioning manager and commissioning support officer, for their help and co-operation during the audit, particularly for making records available.

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

1. Planning, Service Strategies and Customer Consultation

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- There is a comprehensive 3 year agreement in place between the council and Sodexo for the provision of the community meals service, which commenced on 7 January 2008 and terminates on 31 December 2010.
- The commissioning team undertook a customer satisfaction survey during 2008/9. Satisfaction rates for 2008/9 were 99.6% and were reported in the service plan for older people's services 2009/10 under 'achievements'.
- Sodexo carry out customer satisfaction surveys monthly.
- Sodexo provides the council with monitoring information monthly.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	***	The commissioning team undertook a customer satisfaction survey during 2008/9. This was the first formal satisfaction survey that Walsall council had undertaken in relation to community meals delivery, since Sodexo were awarded the contract and began delivering a community meals service. The results, detailed in a report dated November 2008, recommended that 'Walsall Council continue undertaking a survey every twelve months as part of a rolling programme of community meals evaluation process'. There was no evidence, however, that a survey had taken place since.	Poor performance may not have been promptly identified and acted upon. Failure to implement recommendation.	Due to the long term absence of the commissioning development officer, the programme of satisfaction surveys has been delayed. The programme has now been revised and will be implemented.	Anne Doyle commissioning manager / Ranjana Mair commissioning development officer 30 November 2010

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.2	***	The older people's service plan does not detail service aims or priorities and subsequent action plans with regard to the community meals service.	Service aims may not be achieved.	Service aims with regard to community meals have now been included within the service's plans for 2010/11.	Anne Doyle commissioning manager Implemented

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

2. Service Performance

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The number of community meals provided is included in performance indicator NI136– people supported to live independently through social services (all adults). This is reported quarterly to social care and inclusion performance panel.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	***	<p>The council does not appear to have a system for validating the accuracy of PI data provided by Sodexo for robustness.</p> <p>This point also applies to other routine information provided by Sodexo.</p>	<p>Adverse performance may not be promptly identified and corrective action taken.</p> <p>Inaccuracies and omissions in data provided by Sodexo may go unnoticed.</p>	A system will be developed and implemented for validating the accuracy of PI and other data provided by Sodexo.	<p>Anne Doyle commissioning manager</p> <p>31 August 2010</p>

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

3. Performance Management

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- The council's 3 year agreement with Sodexo sets out the council's requirements and expectations regarding equality, data protection, health and safety, staff training and risk assessments including arrangements for continuity of service.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	***	<p>The council's requirements and expectations from Sodexo for the delivery of the community meals service are comprehensively detailed within the 3 year agreement.</p> <p>The auditor has been unable to ascertain that arrangements are in place to ensure the council's requirements and expectations are being delivered. For example, the contract states that the service provider must provide at the request of the Council, confirmation that CRB checks have been carried out. Such information will be reviewed by the Council on a regular basis in accordance with contract monitoring processes.</p> <p>The commissioning manager stated that she was not aware that these checks were being undertaken.</p>	Contractual arrangements may not be adhered to.	<p>A review of roles and responsibilities in respect of contract monitoring will be undertaken at a senior level. It will then be ensured that an appropriate officer monitors the contract effectively and robustly on a regular basis.</p> <p>Following a review of roles and responsibilities in respect of contract monitoring an appropriate accountable officer will undertake robust contract monitoring on a regular basis to ensure that the requirements and expectations of the contract are being delivered.</p> <p>The requirements and expectations included within the 3 year agreement will be clarified on renewal of the next contract</p>	<p>Martin Sadler head of shared services and procurement/ Anne Doyle Commissioning manager</p> <p>30 September 2010</p> <p>Martin Sadler head of shared services and procurement</p> <p>31 December 2010</p>

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.2	***	<p>Throughout the course of the audit, it has become apparent that there is no officer with overall responsibility for contract monitoring.</p> <p>The current commissioning manager took over the community meals service during November 2009 but there appears to be some confusion as to who should be monitoring the contract as there is a contract monitoring role within the procurement team.</p> <p>The commissioning manager has introduced some checking controls for the payment of invoices.</p>	Lack of overall role accountability may mean that contract monitoring duties are not effectively undertaken.	See 3.1	See 3.1

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

4. Joint Working

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- The contract details arrangements for the use of sub-contractors.
- Monthly meetings are held by council officers with Sodexo which are minuted.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
		None			

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

5. Anti Fraud and Irregularity

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The commissioning manager and commissioning support officer are aware of council policies and procedures.
- The service was subject to a tender exercise.
- Sodexo monitor customer satisfaction and report their findings to monthly operational group meetings. Individual social workers can also raise any concerns they have by completing a WSS857.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
5.1	***	<p>The commissioning manager has introduced a 10% check of client names included on Sodexo's debtor's records to PARIS to ensure that they are council clients. There was, however, no structured audit trail to demonstrate the undertaking of this control.</p> <p>The commissioning manager stated that in performing this check, it was identified that PARIS records are not always up to date.</p>	<p>Lack of audit trail to demonstrate performance of a key control.</p> <p>Out of date information may hinder contract monitoring.</p>	<p>A structured audit trail will be maintained. Verification procedures of Sodexo accounting information in support of their invoices and debtor records will be tightened.</p> <p>Issues identified with the timeliness of information recorded on PARIS will be resolved. An instruction will be sent to appropriate staff to ensure that data is entered on to PARIS as promptly as possible. The acting head of service will ensure that this instruction is complied with.</p>	<p>Anne Doyle commissioning manager</p> <p>31 August 2010</p> <p>Sheila Wood acting head of service - assessment and care management (older people)</p> <p>31 August 2010</p>

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
5.2	***	<p>No reports are run from PARIS to assist in the monitoring of the community meals contract.</p> <p>Further the service manager assessment and care management (older people) stated that not all social care teams, such as learning disabilities, are using PARIS.</p>	Lack of management information to assist in contract monitoring arrangements.	<p>The strategic commissioning manager will resolve in consultation with the training and support officer, a standard reporting system from PARIS to assist in the monitoring of the community meals contract.</p> <p>The acting head of service - assessment and care management (older people) will liaise with the training and support officer to ensure that all teams are made aware that they should use PARIS and are provided with PARIS training, including the input of community meals data.</p>	<p>Gary Mack strategic commissioning manager/ Ann Wood training and support officer 30 September 2010</p> <p>Sheila Wood acting head of service - assessment and care management (older people)/ Ann Wood training and support officer 31 October 2010</p>

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

6. Procedure Notes

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
6.1	***	There are no specific procedure notes relating to the day to day arrangements for monitoring the community meals contract.	In the absence of certain officers, other staff may not be aware of their roles and responsibilities.	Following a review of roles and responsibilities in respect of contract monitoring, day to day arrangements for monitoring the community meals contract will be comprehensively detailed in writing within procedure notes. Once completed, procedures will be issued to relevant staff who will sign to acknowledge receipt of and confirmation of their intention to comply fully with them. Thereafter procedures will be reviewed and updated/amended on a regular basis and signed and dated by the completing officer.	Martin Sadler head of shared services and procurement 31 October 2010

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

7. Contract Management and Control Arrangements

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
7.1	***	It was not possible to test a sample of new client referrals made in 2009/10 due to the lack of management information available at the time of the audit to draw the sample from e.g. a list of current council clients.	<p>Lack of an audit trail.</p> <p>Lack of assurance that new referrals / amendments to service provision are processed correctly.</p>	<p>The undertaking of a systems review of the way in which new client referrals and amendments to service provision are made, managed and monitored will be progressed. This will ensure that relevant management information is always available.</p> <p>In the meantime, the commissioning manager stated that she will request that Sodexo forward a list of current clients, a list of new referrals and a list of leavers, each month, from which she will select a sample to verify to records maintained by the access and response centre (ARC).</p>	<p>Sheila Wood acting head of service assessment and care management (older people)/ Gary Mack strategic commissioning manager</p> <p>30 September 2010</p> <p>Anne Doyle commissioning manager</p> <p>31 August 2010</p>

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
7.2	***	On examining the supporting documentation attached to the Sodexo invoice for March 2010, it was noted that there was no supporting documentation attached to the summary of contributions received and that the summary did not appear to cross reference to the debtor reconciliation.	Lack of an audit trail. Inaccurate accounting records.	The March 2010 invoice and future invoices will be reconciled. Sodexo will be requested to provide documentation to support contributions collected which will be verified by council officers prior to the invoice being paid.	Anne Doyle commissioning manager/ Chris Hinton senior accountant – commissioning 31 August 2010

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

8. Variations

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Variations to the contract are made by formal letter which is signed by appropriate representatives.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
8.1	***	It was not possible to test a sample of 10 variations in provision of service during 2009/10 due to the lack of management information available at the time of the audit to draw the sample from e.g. a list of current client variations.	See 7.1	See 7.1	See 7.1

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

9. Payments

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The contractual agreement with Sodexo sets out the procedure for payments.
- In a sample of 10 invoices examined, all had been stamped with a certification grid which had been completed by at least two officers and certified by an authorised signatory.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
9.1	***	In the sample of 10 invoices examined - 5 invoices had not been paid within 15 days of receipt of the invoice (refs: 666417, 679886, 777144, 811171 and 821873).	Poor supplier relationships. Non achievement of performance targets.	Invoices will be paid within 15 days of receipt – unless contract terms specify otherwise. It will be ensured that commissioning officers use an order number and submit invoices to the consolidated creditor's team promptly in future.	Anne Doyle commissioning manager 31 August 2010

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
9.2	***	<p>In the sample of 10 paid invoices examined, an invoice was identified which was addressed to Bentley Motors cleaning from Sodexo for the provision of 'additional services' for £5,462.50. Despite this invoice not being addressed to the council, it had been certified as checked, authorised, passed for payment and subsequently paid (Invoice ref: 817023).</p> <p>On further investigating this transaction, it was found to have been incorrectly paid and Sodexo have since repaid the amount to the council in full on 25 March 2010.</p> <p>It was further noted that this payment had not been identified during budget monitoring processes.</p>	<p>Inappropriate payment made.</p> <p>Prepayment checks evidenced as completed have not been properly undertaken.</p> <p>Adverse VAT implications.</p>	<p>It will be ensured that commissioning officers only forward invoices addressed to Walsall Council to the consolidated creditors team for payment; and that prepayment checks are robustly undertaken. Further it will be ensured that budget monitoring processes are robust.</p> <p>An e-mail has been forwarded to all staff within the consolidated creditor's team requesting them to check that invoices are addressed to Walsall Council.</p> <p>A review of all payments made against these Oracle codes will be undertaken monthly to identify any erroneous payments.</p> <p>The appropriate head of service will consult with HR regarding any potential action to be taken against officers involved in processing/authorising this invoice for payment.</p>	<p>Anne Doyle commissioning manager</p> <p>31 August 2010</p> <p>Sharon Noble assistant financial administration and support manager (consolidated creditors)</p> <p>Implemented</p> <p>Chris Hinton senior accountant – commissioning</p> <p>31 August 2010</p> <p>Gary Mack strategic commissioning manager</p> <p>30 September 2010</p>

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Time scale
9.3	**	In the sample of 10 invoices examined 4 invoices had not been stamped with the date they were paid. (Refs: 739567; 777144; 811171 and 821873).	Possibility of duplication of payment.	The invoices identified in the sample will be examined to ensure that they have been paid. In future all invoices will be stamped with the date they are paid.	Sharon Noble assistant financial administration and support manager (consolidated creditors) 31 August 2010

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

10. Non Financial Contract Deliverables

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- Non financial deliverables are comprehensively detailed within the agreement.
- Customer satisfaction is monitored by Sodexo monthly and results are forwarded to the commissioning manager.
- Results of customer satisfaction surveys and complaints are discussed at operational group meetings.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
		None			

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

11. Performance Monitoring and Reporting

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- The contract outlines performance expectations.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
11.1	***	<p>Schedule 1, part 5, of the agreement outlines performance expectations. There was no evidence at the time of the audit, that performance expectations set out in the contract were being delivered or monitored. For example, the agreement states:</p> <p>'Key Performance Indicators (KPI) shall be used to monitor the service provided by the Service Provider. The Service Provider shall produce and provide a KPI Report for the KPI's detailed below (in a format as agreed prior to award and as amended during the life of the contract). The Report shall be delivered to the Council's Authorised Officer within the first week of each month'</p>	<p>Poor performance may not be identified.</p> <p>Requirements set out in the agreement not delivered, unchallenged.</p>	See 3.1	See 3.1

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
11.2	***	<p>Minutes of operational group meetings show that debt collection is discussed. The current procedure is that if debt is not collected after 90 days it is passed back to the council. The commissioning manager stated that the debt policy has been developed and signed off by the assistant director (adult services) but has not been fully implemented due to the limited resources to retrospectively pursue the debt.</p> <p>Also, roles and responsibilities in respect of debt management for community meals do not appear to have been determined.</p>	Debt may not be recovered	<p>Implementation of the debt management policy will be pursued as a matter of urgency.</p> <p>Roles and responsibilities in respect of debt management for community meals will be determined.</p>	<p>Anne Doyle commissioning manager 30 September 2010</p> <p>Martin Sadler head of shared services and procurement 30 September 2010</p>

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

12. Management Information and Budgetary Control

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area. For the financial year 2009/10 the full year budget to March 2010 totals £413,244. Net expenditure for the same period totals £360,783, a variance of £52,461.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
12.1	***	<p>At the time of the audit, the commissioning manager confirmed to the auditor that she may have not received copies of budget monitoring information for community meals during the restructure of social care and inclusion finance.</p> <p>The social care and inclusion finance account manager stated however, that day 1 monitoring reports (Rev05's) were posted on to a shared server each month which social care and inclusion managers had access to. Evidence was provided to internal audit of reports posted on to this server, a budget monitoring report produced for older people's budget group in January 2010 and report to senior management board in March 2010.</p> <p>A copy of a presentation given at the March 2009 workshops showing managers how to access information on the shared server was provided as</p>	<p>Lack of management information may compromise decision making.</p> <p>Significant under / overspends may occur unnoticed.</p>	<p>The senior accountant – commissioning now ensures that the commissioning manager can access detailed regular summaries of income and expenditure.</p>	<p>Chris Hinton senior accountant – commissioning</p> <p>Anne Doyle commissioning manager</p> <p>Implemented</p>

**Community Meals Contract Monitoring
AUDIT OPINION & ACTION PLAN**

		evidence; however, the commissioning manager did not commence post until November 2009.			
12.2	**	The commissioning manager, who is the budget holder for the service, attended monthly meetings with Sodexo and an accountant to discuss the budget, until December 2009 when a restructure of social care and inclusion finance took place.	Lack of consultation / professional advice may compromise budgetary control.	The senior accountant – commissioning and the commissioning manager now ensures that monthly meetings are held for budget monitoring purposes.	Chris Hinton senior accountant –commissioning Anne Doyle commissioning manager Implemented

Walsall Council
Internal Audit Service

Payroll

Audit Report 2009 / 2010
September 2010

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EXECUTIVE SUMMARY

A. Introduction

1. An audit review of payroll was undertaken as part of the 2009/10 annual audit plan.
2. The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed audit report actions and to seek assurance that:
 - management objectives are consistent with the council's strategic objectives;
 - management information is adequate and reliable;
 - the risk of fraud and irregularity is minimised;
 - there are appropriate arrangements to promote economy, efficiency and effectiveness in the use of resources;
 - management policies and directives and statutory requirements are adhered to;
 - salaries, wages and related costs are only incurred in respect of staff currently employed in authorised posts and are charged to the correct cost centres;
 - salaries and wages are correctly calculated and recorded;
 - amendments to standing data are made completely and accurately;
 - overtime is properly authorised and paid and adequately monitored;
 - sickness and other absence from duty is correctly recorded and adequately monitored; and
 - travel and expense claims are authorised and processed in accordance; with financial and contract rules.
3. The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (***), medium (**) or low (*).
4. Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
5. Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
6. The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.
7. All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area, executive directors have asked for regular updates on all internal audit

reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B. Overall Audit Opinion

1. Internal audit is able to give a limited assurance opinion on the system of internal control operating within payroll as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
→	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

8. Some progress has been made in actioning previously agreed audit report actions and HRD have continued to develop and improve HRD direct, the corporate employee and manager portal. Systems for the verification of the establishment structure, including the availability of structure information via HRD Direct; segregation of duties via individual teams such as the transactional recruitment team and the transactional team; and the use of 'Intelligent', an electronic database for the management and recording of personal files remain good practice.
3. Significant areas for improvement have, however, been identified in ensuring controls and processes are fully effective, for example, in the processing of new starters, variations to pay and leavers. Controls regarding the management and rectification of overpayments; and employee expenses were noted as requiring significant strengthening this year. As a result of this, the audit opinion for payroll has moved from borderline significant to limited assurance.
4. The manager of HRD employee services has indicated to audit that findings 2.9, 2.10, 2.11 and 4.14 were beyond HRD's control. Actions have however been agreed with HRD, to limit the risk of such issues occurring in future.

5. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.
6. Detail of the individual exceptions contained within the action plan are supplied separately.
7. Most actions within the report were considered to be of a high priority.
8. 64 of the 71 agreed actions which remain applicable from the last audit were confirmed as implemented by the Manager of HRD Employee Services on 11 January 2010. During audit's review of the 71 agreed actions, 37 had been fully implemented, 14 partially implemented; 2 were no longer applicable and 18 remained outstanding at the time of this audit. The 32 unimplemented or partially implemented actions have been reiterated in this report, marked (*) in the action plan.

C. Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
General		✓		
Starters			✓	
Deductions		✓		
Variations to Pay			✓	
Leavers and Transfers			✓	
Payments		✓		
Reconciliations		✓		
Security of Data		✓		

D. Acknowledgements

1. Please thank the transactional recruitment manager, transactional manager, customer and service improvement manager, payroll and pensions control manager and manager of HRD employee services for their help and co-operation during the audit, particularly for making records available and providing information.

**Payroll
AUDIT OPINION & ACTION PLAN**

1. GENERAL

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- A personal amendment form was sent to all employees in January 2009 asking for verification that their personal and employment data held was accurate.
- Directors, assistant directors and heads of service are required to verify three times a year that their establishment structure is correct.
- The safer recruitment panel meets on a monthly basis.
- A change control log tracks all system change requests.
- Staffing structures plus various staffing reports are submitted to schools each term asking for verification that their personal and employment data held is accurate.
- Structures are available on the intranet and are updated automatically from Trent.
- Structure surgeries are held with managers.
- Officers independent of the payroll processing, are responsible for maintaining the organisational structure.
- HRD procedure notes are published on Sharepoint.
- All personal files have now been scanned and are held on Intelligent, a password protected database.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	*	<p>During the previous audit it was identified that a document control template has been devised for procedure notes but has not yet been included in all procedure notes.</p> <p>Officers are currently updating procedures to ensure that the document control template is included.</p>	<p>Without document control information, in the event of query, the preparing officer may not be identifiable. Officers may be unable to conclude whether procedures are current/in date.</p>	<p>The document control template will be included in all procedure notes.</p> <p>(*)</p>	<p>Lisa Hemus – manager of HRD employee services / Dean Sweet – customer & service improvement manager / Julie Davies – payroll & pensions control & quality manager / Di Martin - transactional recruitment manager / Kim Baker – transactional manager</p>

Payroll
AUDIT OPINION & ACTION PLAN

					31 December 2010
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.2	**	During the previous audit it was agreed that officers would ensure that all procedure notes are updated to reflect the introduction of scanning of personal files on Intelligent. However, it was noted that certain procedures had not been amended to include this requirement, for example the procedure for completing employee services audit checklist.	Staff may not be fully aware of their duties and responsibilities.	Officers will ensure that all procedure notes are updated to reflect the introduction of scanning of personal files on Intelligent. (*)	Lisa Hemus – manager of HRD employee services / Dean Sweet – customer & service improvement manager / Julie Davies – payroll & pensions control & quality manager / Di Martin - transactional recruitment manager / Kim Baker – transactional manager 31 December 2010
1.3	**	A sample of 5 service managers, 3 transactional recruitment officers, 4 transactional officers, 1 payroll and pensions control officer and 2 customer and service improvement officers were asked to confirm their awareness of system procedures and training received. The following responses were received:	Potential for non compliance with council policies and procedures.	Management within HRD will ensure that all their staff are aware of and have access to systems procedures, financial and contract rules and have received adequate training in systems procedures. Management within HRD will ensure that all staff are made aware of and have access to:	Dean Sweet – customer & service improvement manager 30 September 2010

Payroll
AUDIT OPINION & ACTION PLAN

		<ul style="list-style-type: none"> • 1 transactional officer stated that they were not aware of / did not have access to financial and contract rules. • 2 service managers and 1 transaction recruitment officer stated that they were not aware of / did not have access to system procedures and 2 transactional officers stated that this was not applicable to them. • 2 service managers stated that they were not aware of / did not have access to the timetable for submission / receipt of payroll data. • 4 service managers stated that they were not aware of a list of employees permitted to authorise amendments to employees' pay and 2 transactional recruitment officers did not feel that this was applicable to them. • 3 service managers did not feel that they had received adequate training in payroll procedures and 1 transactional recruitment officer did not feel that this was applicable to them. 		<ul style="list-style-type: none"> • the timetable for submission / receipt of payroll data. • the list of authorised signatories. <p>They will also review training offered to managers in payroll procedures.</p> <p>(*)</p>	
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Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.4	***	In examining test samples for each area of the audit review, it was noted that the inputting and checking officers do not always sign and date supporting information to evidence their involvement in the process.	Responsibility for system amendments may be unclear. Difficulties in establishing whether an amendment has been input. Duplicate processing may take place. Lack of evidence of senior / independent review.	Officers will sign and date supporting information when a system amendment has been input / checked. This agreed action will be issued to relevant staff who will sign to acknowledge receipt of and confirmation of their intention to comply fully with this procedure. (*)	Dean Sweet – customer & service improvement manager 30 September 2010
1.5	***	Of the 15 joint delegation forms which were tested, it was identified that: <ul style="list-style-type: none"> on 1 occasion the form had not been authorised by the manager. on 4 occasions the manager signing the form had not crossed through the approved / not approved section of the form. on 1 occasion the HR account manager signing the form had not crossed through the approved / not approved section of the form. on 1 occasion financial approval had been given by an officer who received a re-grade as a result of the joint delegation. on 1 occasion the section detailing how the post would be funded was not completed. on 1 occasion the effective date of change had been amended but not initialled by the appropriate officer. 	Unapproved amendments may be made. Potential for fraud / irregularity. Incomplete information. In the event of query / challenge, the officer enacting the amendment may not be identifiable.	The joint delegation form has now been updated and officers now ensure that only complete and authorised joint delegation forms are processed. It is now ensured that officers who may benefit from a change to the establishment do not have any involvement with the completion of the joint delegation form. All amendments to the joint delegation pro-forma are now initialled by the officer making the change. (*)	Dean Sweet – customer & service improvement manager Implemented
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility &

**Payroll
AUDIT OPINION & ACTION PLAN**

					Timescale
1.6	**	<p>Of the 15 amendments to the establishment which should have been recorded in the joint delegation tracker spreadsheet it was found that:</p> <ul style="list-style-type: none"> on 1 occasion the effective date of the change had been recorded as 1/8/09 instead of 1/9/09. on 3 occasions the post number was not included. on 1 occasion the lead officer was not included. In examining the school joint delegation tracker spreadsheet it was noted that ID numbers had been used twice on some occasions. 	<p>Incomplete records.</p> <p>Lack of audit trail.</p> <p>Duplicate ID numbers may lead to confusion.</p>	<p>The joint delegation tracker spreadsheet will be updated to include the correct information as identified in the exceptions.</p> <p>Officers will ensure that:</p> <ul style="list-style-type: none"> the full and correct information is recorded on the joint delegation spreadsheet in future. ID numbers are removed from the school delegation tracker spreadsheet are they are not relevant. <p>(*)</p>	<p>Dean Sweet – customer & service improvement manager</p> <p>30 September 2010</p>
1.7	***	<p>Of the 15 amendments to the establishment it was found on 1 occasion that a temporary post had been set up on Trent as a permanent post.</p>	<p>Post may be filled as a permanent post.</p>	<p>The exception identified has been rectified.</p> <p>Officers now ensure that the details on the joint delegation pro-forma are correctly transferred to Trent.</p>	<p>Dean Sweet – customer & service improvement manager</p> <p>Implemented</p>
1.8	***	<p>From a sample of 10 people management indicators included within the directorate people management scorecards 2009/10, it was found that on 2 occasions supporting evidence was not available to verify the data included. (HRD 14.19 – number of occupied positions with a mandatory CRB requirement / HRD 14.7 – return to work interviews completed within 3 working days).</p>	<p>Inability to verify indicator.</p> <p>In the event of challenge / query supporting information is not available to justify calculation of data / targets.</p>	<p>Officers now ensure that supporting evidence is retained to substantiate people indicator data detailed in directorate people management scorecards.</p>	<p>Dean Sweet – customer & service improvement manager</p> <p>Implemented</p>

Payroll
AUDIT OPINION & ACTION PLAN

2. STARTERS

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- A 10% sample of all starters processed on a monthly basis is checked by the transactional recruitment team.
- A list of previous audit findings with regard to starters was issued to all transactional recruitment team officers who had to sign to acknowledge receipt and confirm that they had read and understood the details.
- An audit checklist and new starter / transfer transactional checklist form is placed on each personal file.
- Starter documentation received is recorded on Trent.
- There is appropriate segregation of duties between the transactional recruitment team and transactional team.
- Quarterly statistics are produced detailing non compliance with recruitment procedures e.g. appointed without reference or CRB check and reported to the safer recruitment panel and directorate performance boards.
- A recruitment compliance bulletin regarding audit findings was issued to all directorates and schools.
- A daily recruitment process workflow report monitors recruitment documentation recorded on Trent.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	**	From the sample of 25 new starters selected for testing, it was noted that on 1 occasion the national insurance number had not been verified.	Potential for incorrect employee data to be recorded.	<p>The national insurance number has now been verified for the employee identified and evidence of this placed on the personal file.</p> <p>Where an employee does not provide their national insurance number an enquiry is made on line. It is now ensured that the response received, detailing the national insurance number, is placed on the employee's personal file.</p> <p>(*)</p>	<p>Julie Davies – payroll & pensions control & quality manager</p> <p>Implemented</p>

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.2	**	<p>From the sample of 25 new starters selected for testing it was noted that:</p> <ul style="list-style-type: none"> on 2 occasions an emergency contact form had not been completed. on 4 occasions a working time regulation form had not been completed. 	<p>Incomplete information held on file.</p> <p>In the event of an emergency, next of kin details may not be known.</p> <p>Working time regulations may not be complied with.</p>	<p>Completed emergency contact and working time regulation forms will be obtained from the employees identified and placed on the personal files.</p> <p>Officers will ensure that an emergency contact form and working time regulation form are completed for all new starters.</p> <p>(*)</p>	<p>Di Martin - transactional recruitment manager</p> <p>30 September 2010</p>
2.3	***	<p>Of the sample of 25 new starters tested it was noted that:</p> <ul style="list-style-type: none"> on 2 occasions the employee had not signed to acknowledge their acceptance of the post. 	<p>In the event of query / dispute employees' acceptance of their terms and conditions may not be clear.</p>	<p>The documentation identified as missing from the exceptions highlighted has now been sourced and placed on file.</p> <p>It is now ensured that every new starter has signed the starter pack declaration.</p> <p>(*)</p>	<p>Di Martin - transactional recruitment manager</p> <p>Implemented</p>
2.4	***	<p>From a sample of 25 starters selected for examination, it was noted on 2 occasions that the appointing manager had not confirmed whether the new starters had commenced their employment.</p>	<p>Payments may be made to employees who were due to start but did not attend on their start date.</p> <p>Overpayments may be made which may be difficult to recover.</p>	<p>Managers have now confirmed that the employees identified as exceptions commenced their employment.</p> <p>Managers will be requested to promptly confirm the commencement of employment of new starters.</p> <p>(*)</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p> <p>Kim Baker – transactional manager</p> <p>30 September 2010</p>

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.5	***	<p>From a sample of 25 new starters tested it was found that:</p> <ul style="list-style-type: none"> on 3 occasions the audit checklist had not been fully completed / signed off. on 1 occasion the new starter transactional checklist had not been fully completed / signed off. 	Checklist items may not have been completed / obtained.	<p>The checklists identified in the exceptions noted are now fully and correctly completed.</p> <p>Officers now ensure that checklists are fully completed and are signed in evidence of this action.</p> <p>(*)</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p>
2.6	***	<p>From a sample of 25 new starters tested it was found that on 10 occasions the starter form had been signed by an officer who was not an authorised signatory.</p> <p>The auditor was informed by the transactional recruitment manager that managers signing starter forms must have the appropriate authority and financial limit to do so within an authorised signatory form.</p>	Unauthorised appointments.	<p>The exceptions will be verified.</p> <p>The level of manager authorised to sign starter forms will be determined in accordance with the head of people services delegations within the constitution.</p>	<p>Di Martin – transactional recruitment manager / Lisa Hemus – manager of HRD employee services</p> <p>31 October 2010</p>
2.7	*	From a sample of 25 new starters tested it was found that on 1 occasion the employee had started on 1.6.09 but a start date of 11.5.09 had been entered onto the contract of employment.	Incorrect information held regarding officers length of service.	A review of the council's employment contract is currently being undertaken which will address the issue raised.	<p>Di Martin – transactional recruitment manager</p> <p>31 March 2011</p>

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.8	**	<p>From a sample of 25 new starters tested it was found that:</p> <ul style="list-style-type: none"> on 2 occasions the spinal column point had been amended on the starter form but not initialled. on 1 occasion the post number had been amended on the starter form but not initialled. 	<p>In the event of query / challenge, the officer enacting the amendment may not be identifiable.</p>	<p>All amendments to the starter form are now initialled by the officer making the change.</p>	<p>Di Martin – transactional recruitment manager</p> <p>Implemented</p>
2.9	***	<p>Criminal Records Bureau (CRB) checks were required for the appointment of 19 out of 25 new starters selected for testing. It was noted that:</p> <ul style="list-style-type: none"> on 4 occasions, the CRB disclosure result was received after the employee's date of commencement. 	<p>Vulnerable people may be placed at risk from unsuitable new starters.</p> <p>Lack of adherence to current government legislation.</p>	<p>The transactional recruitment manager will re-issue guidance to recruiting managers to ensure that new employees are not allowed to commence work until evidence of a satisfactory CRB check has been obtained.</p> <p>Non compliance is reported to performance board and the safer recruitment panel.</p> <p>(*)</p>	<p>Di Martin – transactional recruitment manager</p> <p>30 September 2010</p>
2.10	**	<p>Of the sample of 25 starters selected for examination it was noted on 1 occasion that medical clearance had not been received until after the employee had started.</p>	<p>New starters may not be medically fit to carry out their duties.</p>	<p>Officers now ensure that medical clearance is received prior to the employee starting wherever possible.</p> <p>This exception related to a school and was reported to performance board for non compliance.</p>	<p>Di Martin - transactional recruitment manager</p> <p>Implemented</p>

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.11	**	Two satisfactory references are requested for all new starters to the authority. However, from a sample of 25 starters it was noted that on 1 occasion a reference had not been approved by the manager and on 1 occasion no references were received prior to the employee commencing work. (1 of these cases was a post within the area of working with children).	Unsuitable employees may be appointed.	The transactional recruitment manager will re-issue guidance to recruiting managers to ensure that new starters are only offered employment when two satisfactory references have been received. (*)	Di Martin – transactional recruitment manager 30 September 2010
2.12	*	On 1 occasion in 25 starters selected for examination, it was noted that the most current starter form had not been completed.	All relevant information may not be provided.	The most current standard starter form is now completed for processing of all starters. (*)	Di Martin – transactional recruitment manager Implemented
2.13	**	From a sample of 25 new starters tested it was found that on 1 occasion an employee, who was transferred to the council (TUPE) raised a concern at the possibility of not being able to continue with his position as trustee of Manor Farm CA. There is no evidence on the personal file that this concern was addressed.	Potential non compliance with code of conduct.	Investigations have been undertaken and the concern now resolved.	Harjinder Kaur – account manager Implemented

Payroll
AUDIT OPINION & ACTION PLAN

3. DEDUCTIONS

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- A list of previous audit findings with regard to deductions was issued to all transactional team officers who had to sign to acknowledge receipt and confirm that they had read and understood the details.
- The personal amendment form sent to employees in January 2009 requested employees to verify that the deductions being made from their pay were accurate.
- Statutory deductions, such as national insurance, income tax, etc are reconciled from Trent to the payments system on Oracle on a monthly basis.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	**	<p>From a sample of 10 non statutory deductions selected for testing, 5 occasions were noted where the employee authorisation could not be located at the time of the audit.</p> <p>For 3 of these exceptions, however, the employee had returned their personal amendment form which was issued to employees in January 2009, to confirm their deduction was accurate.</p>	<p>In the event of query / error, information relating to a non statutory deduction / employee authorisation may be difficult to trace / justify.</p> <p>Unauthorised deductions may be made.</p>	<p>For ease of reference, documentation relating to 'live' employee initiated deductions is now retained on Intelligent. (*)</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p>

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.2	**	From a sample of 10 non statutory deductions selected for testing, 1 occasion was noted where the section for completion by HRD on the annual travel card authorisation form had not been completed.	Difficulties in establishing whether application has been correctly processed.	The exception identified has been rectified. Officers now ensure that the section for completion by HRD on the annual travel card authorisation form is completed.	Kim Baker – transactional manager Implemented
3.3	*	From a sample of 10 non statutory deductions selected for testing, 1 occasion was noted where the cycle loan application was dated 4.8.05 instead of 4.8.08.	Incorrect information maintained.	The cycle loan procedures have now been amended and all forms are completed on line and electronically dated.	Julie Davies – payroll & pensions control & quality manager Implemented

Payroll
AUDIT OPINION & ACTION PLAN

4. VARIATIONS TO PAY

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- In the sample of claims tested, all car mileage allowances had been paid in accordance with approved rates.
- A processing timetable, including submission dates for temporary input, is published on the intranet.
- Sickiness absences can now be input by managers onto HRD direct.
- System generated maternity pay is checked to manual calculations to ensure correct payments are made.
- A list of previous audit findings with regard to variations to pay was issued to all transactional team officers who had to sign to acknowledge receipt and confirm that they had read and understood the details.

EXPENSES & CAR MILEAGE

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.1	**	In searching on the intranet for the expenses and subsistence claim form, it was found that different versions were available.	Inconsistent procedures. All relevant information may not be provided leading to delays, possible errors in expenses processing.	It will be ensured that only the current expenses and subsistence claim form is available on the intranet.	Kim Baker – transactional manager 30 November 2010
4.2	***	From a sample of 25 expenses and car mileage payments tested it was found that on 2 occasions, the form had been processed even though it had been signed by an officer not authorised to do so.	Unauthorised payments made.	Officers will ensure that expenses and car mileage form are signed by officers authorised to do so.	Kim Baker – transactional manager 30 September 2010

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.3	**	<p>From a sample of 25 expenses and car mileage payments tested it was found that:</p> <ul style="list-style-type: none"> on 2 occasions out of date claims had been made. on 2 occasions VAT receipts had not been attached to car mileage claims. on 2 occasions it was not possible to verify the amount claimed to receipts provided. on 1 occasion VAT had been added to the amount of the receipted amount. on 1 occasion the value of a train ticket was illegible. on 1 occasion an employee had claimed course fees but had not provided evidence that they had already paid the fees. 	<p>Invalid / inaccurate expense claims may have been paid.</p> <p>Non compliance with expense policy.</p>	<p>Officers will ensure that:</p> <ul style="list-style-type: none"> out of date claims are not paid unless there are special circumstances and these have been documented. VAT receipts are attached to all car mileage claims. receipts are legible and can be easily verified to the claim. the amount claimed agrees to the receipt provided. evidence that the amount claimed has already been spent is provided. <p>A revised policy for the reimbursement of personal expenses is currently being drafted which will address issues identified.</p>	<p>Kim Baker – transactional manager</p> <p>30 November 2010</p>
4.4	*	<p>12 expense claims submitted and processed were completed on an old version of the expenses claim form.</p> <p>It states within the expenses policy that expenses will only be paid if the correct claim form is completed.</p>	<p>All relevant information may not be provided leading to delays, possible errors in expenses processing.</p> <p>Inaccurate / insufficient information held.</p> <p>Non compliance with expense policy.</p>	<p>Only the most current expenses form is now accepted for processing.</p> <p>(*)</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p>

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.5	**	On 1 occasion it was noted that expense claim amounts had been amended by the transactional officer and they had not initialled all changes made. On a further occasion the date of the claim had been amended.	Unauthorised amendments / payments may be made unnoticed. In the event of query / challenge, the officer enacting the amendment may not be identifiable.	Inaccurate expense claims will not be amended but instead returned to the employee for amendment. (*) A revised policy for the reimbursement of personal expenses is currently being drafted which will address issues identified.	Kim Baker – transactional manager 30 November 2010
4.6	***	On 2 occasions claims had been made for hospitality by officers from the New Art Gallery. It states within the expenses policy that it should be clearly set out why it is necessary and what is the business case. It should also be authorised by an assistant director or above. This was not the case.	Non compliance with expense policy. Inappropriate payments may be made.	Officers will ensure that where claims for hospitality are received it is clearly set out why it is necessary and what is the business case. It will also be authorised by an assistant director or above. A revised policy for the reimbursement of personal expenses is currently being drafted which will address issues identified.	Kim Baker – transactional manager 30 November 2010
4.7	***	On 1 occasion a register of overseas trip form had been submitted but the section for completion by risk and insurance had not been completed.	Insufficient evidence that appropriate insurance in place.	Officers now ensure that register of overseas trip forms are fully completed.	Dean Sweet – customer & service improvement manager Implemented
4.8	**	From a total of 35 expenses and car mileage forms completed it was found on 27 occasions that the form had not been stamped paid.	Potential for duplicate payments.	All claim forms are now stamped when they have been paid.	Kim Baker – transactional manager Implemented

**Payroll
AUDIT OPINION & ACTION PLAN**

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.9	**	On 1 occasion a claim was being made for rent but it was found that the same amount was being deducted from the employee's pay on Trent. No documentation was found on the personal file regarding this. In querying this with the transactional team, they had to contact the school directly to identify the reason for the payment. No audit trail was held on file at that point to substantiate the claim.	Lack of supporting evidence. Inappropriate payments may be made.	Documentation has now been placed on the employee's file to substantiate the claim. Payments will not be made for rent, particular when the same amount is being deducted from the employee, unless supporting evidence is retained on the personal file.	Kim Baker – transactional manager Implemented
4.10	**	On 1 occasion it was noted that £90 per month was being paid to an employee, who was registered blind, for taxi fares after her office base was transferred out of the town centre. The personnel officer, in reviewing the case, stated that it was necessary to have an audit trail to account for the payments in the form of confirmation from the taxi company that a contract was in place. This evidence could not be found on the personal file.	Lack of evidence to substantiate payments made. Inappropriate payments may be made.	Confirmation from the taxi company that a contract is in place, and payments are being made has been obtained and placed on the employee's personal file.	Kim Baker – transactional manager Implemented
4.11	**	From a sample of 25 expenses and car mileage payments tested it was found on 2 occasions that payments had been made to officers for subscriptions to a professional body, generally such fees are not paid by the council. No formal agreement to support this could be provided at the time of the audit.	Inappropriate payments may be made.	Investigations will be made to determine the validity of payments made for subscriptions to a professional body. A revised policy for the reimbursement of personal expenses is currently being drafted which will address issues identified.	Kim Baker – transactional manager 30 November 2010

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.12	**	From a sample of 25 expenses and car mileage payments tested it was found on 1 occasion that a claim had been made for train tickets for 3 officers but the officers had not been named.	Non compliance with expenses policy.	In accordance with the expenses policy each individual officer will be named on the claim and will complete their own claim form. The submission of expense claims via the HRD portal will ensure that officers complete individual claims.	Kim Baker – transactional manager 30 November 2010
4.13	**	From a sample of 25 expenses and car mileage payments tested it was found that: <ul style="list-style-type: none"> on 2 occasions the car mileage claimed had been totalled incorrectly. on 1 occasion first class travel had been claimed for. on 1 occasion an officer had been claiming mileage from / to home but did not appear to be deducting home to office mileage. 	Overpayments may be made.	Officers checking car mileage claims will ensure that calculations are accurate and that home to office mileage has been deducted where necessary. Employees will not use first class travel unless there are exceptional circumstances. A revised policy for the reimbursement of personal expenses is currently being drafted which will address issues identified.	Kim Baker – transactional manager 30 November 2010

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.14	**	On 3 occasions claims had been made for a travel card, on 2 occasions it would have been cheaper if the travel had been purchased via the council's travel card discount scheme. Further, there was no documentation on the officer's personal file approving their entitlement to a council funded pass.	Value for money not obtained. Inappropriate payments may have been made.	It will be ensured that where officers are provided with a travel card that it is obtained via the council's travel card discount scheme wherever possible. Documentation will be obtained and placed on the personal files of the employee's identified showing approval of their entitlement to a council funded pass. A revised policy for the reimbursement of personal expenses is currently being drafted which will address issues identified.	Kim Baker – transactional manager 30 November 2010

MATERNITY

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.15	**	The maternity leave and pay application form held on personnel guidance on the intranet is different to the one that is held on HRD Sharepoint. Further the form held on personnel guidance does not have to be authorised by managers.	Inconsistent documentation held / potential for unauthorised maternity leave to be taken.	It is now ensured that only the most current maternity leave and pay application form is held on personnel guidance / HRD Sharepoint which includes a section for the manager's authorisation.	Kim Baker – transactional manager Implemented

**Payroll
AUDIT OPINION & ACTION PLAN**

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.16	***	<p>From a sample of 10 maternity absences selected for testing, it was found that:</p> <ul style="list-style-type: none"> on 3 occasions the section within the maternity leave and pay application form for completion by the transactional team had not been fully completed. on 1 occasion the letter sent to the employee held on file acknowledging their request for maternity leave included the incorrect date. on 4 occasions an old style maternity form had been completed by the employee. on 3 occasions the maternity leave and pay application form had not been authorised by the manager. on 1 occasion HRD had been notified of a change in the employees maternity start date but an updated acknowledgement letter had not been sent to the employee. it was further identified that the return to work maternity notification form does not include the requirement for a second transactional officer check. 	<p>In the event of query / challenge, insufficient details held on form.</p> <p>Lack of evidence of demonstration of control i.e. that the form has been checked.</p> <p>Incorrect maternity payments may be made.</p> <p>All relevant information may not be provided.</p> <p>Lack of audit trail.</p>	<p>The exceptions identified have been rectified.</p> <p>Transactional team officers processing the form now complete the relevant sections.</p> <p>Officers now ensure that letters acknowledging employee requests for maternity leave include the correct information.</p> <p>It is now ensured that the most current maternity leave and pay application form is completed and that it is authorised by the appropriate manager.</p> <p>Officers now ensure that an updated acknowledgement letter is sent to the employee when start dates have been changed.</p> <p>The return to work maternity notification form has been amended to include a second transactional officer check.</p> <p>(*)</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p>

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.17	***	From a sample of 10 maternity absences selected for testing, it was found on 1 occasion that the amounts on the spreadsheet used as an internal check to verify maternity pay calculations on Trent did not agree to the payments made on Trent.	Under / over payments of maternity pay may go unnoticed.	<p>It has been ensured that the correct payments have been made for the exceptions identified.</p> <p>The spreadsheet has been reviewed and updated to ensure accuracy for checking maternity pay calculations against Trent.</p> <p>Officers have been reminded that a new spreadsheet should be produced following any pay awards. The previous spreadsheet is now marked as recalculated and retained.</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p>

SICKNESS

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.18	***	<p>From a sample of 15 sickness absences tested it was noted that:</p> <ul style="list-style-type: none"> on 1 occasion a sick note had been recorded on Trent but not placed on the employees' file. 	<p>Potential non-compliance with the council's sickness absence policy.</p> <p>Inadequate medical confirmation of employees' absence.</p>	<p>The exception identified has been rectified.</p> <p>Officers now ensure that doctors' notes are placed on the relevant personal file promptly.</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p>

**Payroll
AUDIT OPINION & ACTION PLAN**

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.19	***	<p>Although return to work interviews were required for the 15 sickness absences, it was found that:</p> <ul style="list-style-type: none"> on 1 occasion a return to work interview had been placed on the employee's file but not recorded on Trent. on 2 occasions a return to work interview had been recorded on Trent but had not been placed on the employees' file. 	Potential non-compliance with the council's sickness absence policy.	Officers now ensure that return to work interviews are promptly placed on the relevant personal file and recorded on Trent.	<p>Kim Baker – transactional manager</p> <p>Implemented</p>
4.20	**	From a sample of 15 sickness absences tested it was found on 1 occasion that the absence record sheets detailing the sickness start and end date had not been signed by the manager.	In the event of query unable to identify officer submitting form.	Absence record sheets are now appropriately authorised.	<p>Kim Baker – transactional manager</p> <p>Implemented</p>
4.21	***	<p>From a sample of 15 sickness absences tested it was noted that:</p> <ul style="list-style-type: none"> on 4 occasions a self certification form had not been completed by the employee or recorded on Trent. on 1 occasion up to date sick notes were not recorded on Trent / held on the personal files. 	<p>Potential non-compliance with the council's sickness absence policy.</p> <p>Inadequate medical confirmation of employees' absence.</p> <p>Potential for inaccurate SSP.</p>	<p>The exceptions identified have now been rectified.</p> <p>Officers will ensure that self certification forms / doctors' notes are obtained for all relevant absences and recorded on Trent when received.</p> <p>(*)</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p> <p>Kim Baker – transactional manager</p> <p>30 September 2010</p>

**Payroll
AUDIT OPINION & ACTION PLAN**

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.22	***	<p>Although return to work interviews were required for the 15 sickness absences, it was found that:</p> <ul style="list-style-type: none"> on 1 occasion a return to work interview had not been placed on the employees' files or recorded on Trent. HRD had a sent reminder in 2 of these cases. on 1 occasion the employee had not signed the return to work interview. 	Potential non-compliance with the council's sickness absence policy.	<p>The return to work interview form has been obtained for the employees identified and details entered onto Trent.</p> <p>It will be ensured that return to work interviews are completed in accordance with the council's sickness absence policy. The interview document will be approved by both parties and a copy held on the relevant personal file and recorded on Trent.</p> <p>(*)</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p> <p>Kim Baker – transactional manager</p> <p>30 September 2010</p>
4.23	**	From a sample of 15 employees, 8 occasions were noted where a return to work interview had been undertaken. It was found on 1 occasion that the incorrect sickness start date had been recorded on the form.	Inaccurate records.	Managers now ensure that the correct information is recorded on the return to work interview.	<p>Kim Baker – transactional manager</p> <p>Implemented</p>

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.24	***	From a sample of 15 employees, 4 cases were noted where a stage 1 notice of concern (NOC) should have been issued to the employee as they had had 3 or more periods of sickness in the last 12 months. It was found, however, that on 10 occasions a NOC had not been placed on the employees' files or recorded on Trent	Potential non-compliance with the council's sickness absence policy.	<p>Managers will be requested to provide explanations for NOC's not being issued to the employees identified and details placed on the relevant personal files.</p> <p>Managers will ensure that NOC's are issued in accordance with the council's sickness absence policy.</p> <p>Consideration will be given to amending the return to work interview form so that managers are prompted to give detail regarding the issue of a NOC.</p> <p>(*)</p>	<p>Kim Baker – transactional manager</p> <p>30 September 2010</p>

**Payroll
AUDIT OPINION & ACTION PLAN**

OVERPAYMENTS

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.25	***	<p>From a sample of 10 overpayments tested it was found that:</p> <ul style="list-style-type: none"> on 1 occasion a transactional team overpayment pro-forma did not appear to have been completed. on 2 occasions the overpayment holding letter on file had not been signed by a council officer. on 2 occasions the overpayment letter did not appear to have been issued promptly. on 1 occasion the debtor invoice details had not been recorded on the overpayment pro-forma. This is not required on the most recent form. on 1 occasion the incorrect employees leaving date had been recorded on the overpayment pro-forma. On 1 occasion the overpayment amount had been amended but a letter did not appear to have been sent to the employee regarding this. 	<p>Lack of audit trail.</p> <p>Insufficient evidence that employee notified of overpayment.</p> <p>Unauthorised letters may be issued un-noticed.</p> <p>Overpayment may not be promptly recovered.</p> <p>Incomplete / inaccurate records.</p>	<p>A transactional team overpayment pro-forma has been fully completed for the employee identified.</p> <p>Officers will ensure that:</p> <ul style="list-style-type: none"> a transactional team overpayment pro-forma is completed. all relevant overpayment correspondence is issued to employees and signed by a relevant council officer. overpayment letters are issued promptly. the correct details are recorded on the overpayment pro-forma. employees are notified of any changes to the overpayment amount. <p>(*)</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p> <p>Kim Baker – transactional manager</p> <p>30 September 2010</p>

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.26	**	From a sample of 10 overpayments tested it was found that on 2 occasions back payment of salary had been made to former employees who already had an outstanding overpayment.	Outstanding overpayments may not be recovered.	Where former employees are paid any additional salary, consideration will be given to deducting this amount from any outstanding overpayment in future.	Kim Baker – transactional manager / Julie Davies – payroll & pensions control & quality manager 31 December 2010
4.27	***	From a sample of 10 overpayments tested it was found that on 1 occasion the overpayment was due to the late completion of a leaver form for an employee with a fixed term contract. Fixed term contracts should be monitored within HRD to ensure that the employees leaving date is entered promptly on Trent.	Potential overpayments made.	Officers now ensure that all fixed term contracts are monitored and the contract terminated on Trent promptly.	Kim Baker – transactional manager Implemented
4.28	***	From a sample of 10 overpayments tested it was found on 3 occasions that a sundry debtor had not been raised on Oracle. This was raised with the transactional team who subsequently completed external invoice request forms. 2 of the debtor invoices have subsequently been raised.	Overpayment not recovered.	A debtor invoice has now been raised for the exception noted. Officers now ensure that external invoice request forms are complete and forwarded to the Oracle team promptly.	Kim Baker – transactional manager Implemented

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.29	***	Once the external invoice request form is forwarded to the Oracle team no checks are made by the transactional team to ensure that debtor invoices have been raised.	Overpayment not recovered.	Officers will ensure that when the external invoice request form is forwarded to the Oracle team, confirmation is received that the debtor invoice has been raised.	Kim Baker – transactional manager / Julie Davies – payroll & pensions control & quality manager 31 December 2010
4.30	***	<p>It was agreed in the previous audit report that: “When an overpayment occurs and is identified, the overpaid employee’s manager will be requested to consider whether action should be taken against employees who have not reported salary overpayments in accordance with section 17.3 of the code of conduct for employees”.</p> <p>It states within the policy on the recovery of overpayment of salary that: “If no agreement can be reached between the employee and manager, the manager may consider taking disciplinary action under the code of conduct and referring the case to audit dependent on the circumstances surrounding the overpayment”.</p>	Non compliance with code of conduct with employees.	<p>The overpayment policy will be updated to include “where an overpayment occurs the manager should consider disciplinary action regardless of whether an agreement has been reached between employee and manager”.</p> <p>(*)</p>	<p>Kim Baker – transactional manager / Julie Davies – payroll & pensions control & quality manager</p> <p>31 December 2010</p>

**Payroll
AUDIT OPINION & ACTION PLAN**

OTHER VARIATIONS

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.31	***	<p>Of a sample of 10 cases where the employee had completed a timesheet it was found that:</p> <ul style="list-style-type: none"> on 1 occasion the transaction officer had incorrectly calculated overtime claimed resulting in the employee being overpaid for 70.5 hours. on 1 occasion there was no evidence on the personal file to support a bonus payment. 	<p>Potential overpayment made.</p> <p>Unauthorised / incorrect payments may be made.</p>	<p>The overpayment of 70.5 hours has now been recovered from the employee.</p> <p>Officers now ensure that overtime payments are calculated correctly.</p> <p>The bonus paid to the employee will be investigated and recovery of the amount arranged if appropriate.</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p> <p>Kim Baker – transactional manager</p> <p>31 December 2010</p>
4.32	***	<p>On 1 occasion an injury allowance payment had been incorrectly calculated. A period end date of 22.2.09 had been used when the officer returned from sick leave on 25.1.09. The calculation had been based on the employee working 37 hours per week but they only worked 35 hours. The payroll and pensions manager confirmed that the employee had been overpaid £1,557.10 gross.</p>	<p>Potential overpayment made.</p>	<p>The overpayment will be recovered from the employee once the employee's liability claim has been settled.</p> <p>Officers now ensure that injury allowance payments are calculated correctly.</p>	<p>Julie Davies – payroll & pensions control & quality manager</p> <p>31 March 2011</p> <p>Julie Davies – payroll & pensions control & quality manager</p> <p>Implemented</p>

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.33	***	On 1 occasion an employee had been awarded a golden hello. However, at the time of audit there was no evidence on file that the payment had been authorised by the manager.	Unauthorised payments may be made.	Evidence that the payment had been authorised had now been placed on file. Golden hello payments are now authorised by the manager.	Kim Baker – transactional manager Implemented
4.34	**	On 1 occasion an employee had claimed for internet usage at home providing a copy of the telephone bill as evidence, however, the bill did not show the name of the account holder.	Insufficient evidence of costs incurred.	Officers will ensure that copies of telephone bills which are provided as evidence of costs incurred show the account holders name.	Kim Baker – transactional manager 30 November 2010
4.35	***	On 1 occasion a payment had been made for an equal pay claim to the next of kin of a deceased employee. There was insufficient evidence on the personal file to substantiate the payment or documentation to support the payment being made to the next of kin.	Unauthorised payments may be made. Payments may be made to the wrong person.	Evidence is now held on file in relation to equal pay claims. Where payments are made to the next of kin documentation is now retained on the personal file supporting this.	Julie Davies – payroll & pensions control & quality manager Implemented

Payroll
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Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.36	***	<p>From a sample of 10 cases where permanent / non permanent contractual elements had been paid to the employee, it was found that:</p> <ul style="list-style-type: none"> on 1 occasion an employee had been awarded performance related pay. It was noted the incorrect basic salary year had been included (1/4/08 instead of 1/4/09). There is no section on the PRP form for the employee / authorising manager to sign / date the form. on 1 occasion a payment of £222.54 per month was being made to an executive director for car allowance. This payment is made to all executive directors instead of them claiming for journeys undertaken on council business and covers all claims of the first 60 miles of any journey after which time they can claim the lower mileage rate. There is no written policy or approval for this scheme. 	<p>Overpayments may have been made.</p> <p>Unauthorised payments may be made.</p> <p>Inaccurate records maintained.</p>	<p>The PRP form will be amended to include the signature and date of the employee and authorising manager.</p> <p>The payments to executive directors have now been reviewed and a written policy has been produced and appropriately approved.</p>	<p>Julie Davies – payroll & pensions control & quality manager</p> <p>31 March 2011</p> <p>Julie Davies – payroll & pensions control & quality manager</p> <p>Implemented</p>

Payroll
AUDIT OPINION & ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.37	***	<p>From a sample of 10 cases BACS payments made in January 2010, it was found that:</p> <ul style="list-style-type: none"> on 1 occasion a payment had been made for backdated essential car allowance. This was due the payment of essential car allowance ceasing in error when a change of vehicle request had been processed within the transactional team. on 1 occasion regular payments were being made to a head teacher for additional work as a primary director for school leadership in the black country. A letter is issued by the chair of governors to request each payment, it was found that the letter to make a payment in December was not signed and letters received for other payments had been signed by the chair who is not an authorised signatory. 	Unauthorised payments made.	<p>Controls are now in place to ensure that essential car allowance payments are continued when an employee changes their vehicle.</p> <p>Officers now ensure that payments are not made until authority has been received from the appropriate officer who is an authorised signatory.</p>	<p>Kim Baker – transactional manager</p> <p>Implemented</p>

Payroll
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Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.38	***	<p>It was agreed in the previous audit report that:</p> <p>The scheme for performance related pay will be reviewed and revised by the head of corporate finance and the head of HRD.</p> <p>The exceptions identified will be investigated and resolved / recovered where necessary.</p> <p>Steps will be taken to determine whether similar overpayments have been made to other assistant directors and if this is the case the overpayments will be recovered.</p> <p>The payroll and pensions manager confirmed that no action had been taken on this.</p>	Overpayments may have been made	<p>The scheme for performance related pay is being reviewed within the ongoing pay and grading review.</p> <p>The exceptions identified have been investigated and resolved where necessary.</p> <p>All performance related pay to assistant directors has been reviewed and rectified where appropriate.</p> <p>(*)</p>	<p>Julie Davies – payroll & pensions control & quality manager</p> <p>1 April 2011</p> <p>Julie Davies – payroll & pensions control & quality manager</p> <p>Implemented</p>

**Payroll
AUDIT OPINION & ACTION PLAN**

5. LEAVERS AND TRANSFERS

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- A list of previous audit findings with regard to leavers was issued to all transactional team officers who had to sign to acknowledge receipt and confirm that they had read and understood the details.
- Transactional officers undertake a monthly percentage sample check of leavers.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
5.1	***	<p>From a sample of 20 leavers it was found that:</p> <ul style="list-style-type: none"> on 1 occasion a leaver form was not placed on the personal file. on 2 occasions, the leavers form had been completed after the officer had left. on 1 occasion the post number had been changed on the leavers form but not initialled. on 1 occasion the leave date had been changed on the leavers form but not initialled. on 3 occasions a letter of resignation was not placed on the personal file. on 2 occasions the letter of resignation had not been dated or stamped with the date it was received. on 1 occasions the letter sent to 	<p>Potential risk of overpayments.</p> <p>Incomplete records.</p> <p>Incorrect leaving date may lead to incorrect final payments and deductions being made.</p> <p>Unable to determine if correct resignation notice given.</p> <p>Employees may experience financial hardship if unable to present P45 details to a new employer.</p> <p>Responsibility for system amendments may be unclear.</p> <p>Difficulties in establishing</p>	<p>The exceptions identified will be investigated and rectified where possible.</p> <p>Officers will ensure that wherever possible:</p> <ul style="list-style-type: none"> Managers promptly notify HRD when an employee is leaving the council's employment. The notification will be signed and dated by the authorising manager The letter sent to the employee acknowledging their resignation is sent out prior to the employee leaving. The payroll and pension control box is no longer necessary and will be removed from the leavers form. All relevant documentation is placed on the personal file. Employee verification of leaving is held on personal files. The leavers form is fully and accurately 	<p>Kim Baker – transactional manager / Julie Davies – payroll & pensions control & quality manager</p> <p>30 September 2010</p>

**Payroll
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		<p>the employee acknowledging their resignation had not been sent out until after the officer had left.</p> <ul style="list-style-type: none"> • on 1 occasion a letter acknowledging the employee's resignation had not been placed on the personal file. • on 10 occasions the payroll & pension control box had not been fully completed and on 11 occasions the date that the P45 had been issued / superannuation fund notified had not been recorded on the leavers form. • on 3 occasions the details regarding annual leave entitlement had not been fully recorded on the leavers forms. • on 1 occasion the bottom part of the leavers form had not been scanned 	<p>whether an amendment has been input. Duplicate processing may take place.</p>	<p>completed.</p> <ul style="list-style-type: none"> • A full copy of the leavers form is scanned onto Intelligent. <p>(*)</p>	
5.2	**	<p>From examination of 25 leaver forms it was found that on 1 occasion the redundancy payment had increased but a revised joint delegation form for voluntary early retirement and early redundancy had not been completed and authorised to reflect this change.</p>	<p>Unauthorised payments may be made.</p>	<p>The revised joint delegation form for voluntary early retirement will be updated to ensure that the appropriate authorisations are included.</p>	<p>Julie Davies – payroll & pensions control & quality manager</p> <p>30 September 2010</p>

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
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Payroll
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5.3	***	<p>From a sample of 5 officers who had moved to different positions within the council, it was found that:</p> <ul style="list-style-type: none"> on 1 occasion the employee had not signed to acknowledge their acceptance of the post. on 1 occasion the employee had submitted a letter terminating their original post after they had started in their new position. on 1 occasion a joint delegation form had been completed making the employees position permanent but a letter had not been sent to the employee notifying them of this. 	<p>In the event of query / dispute employees' acceptance of their terms and conditions may not be clear.</p> <p>Lack of audit trail.</p> <p>Employees may not be aware of changes to their employment status.</p>	<p>The exceptions identified will be investigated and rectified.</p> <p>Officers will ensure that:</p> <ul style="list-style-type: none"> every new starter has signed the starter pack declaration to acknowledge their acceptance of the post. employee's submit resignation letters on a timely basis. employee's are notified of any changes to their employment status. <p>(*)</p>	<p>Kim Baker – transactional manager / Di Martin – transactional recruitment manager</p> <p>30 September 2010</p>
5.4	***	<p>During the previous audit it was agreed that officers would ensure that 3 overpayments identified in the previous audit would be recovered from the former employees and the relevant documentation placed on the personal file. No evidence of this recovery was identified.</p> <p>It was confirmed by the payroll and pensions manager that evidence of overpayments going back to 2007/08 could not be found.</p>	<p>Overpayments not recovered.</p>	<p>Officers now ensure that evidence of all overpayments is retained on the employee's personal file in accordance with the council's retention schedule for corporate documents.</p> <p>(*)</p>	<p>Julie Davies – payroll & pensions control & quality manager</p> <p>Implemented</p>

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
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5.5	***	From examination of 25 leaver's forms it was found that on 1 occasion the late submission of the leaver form by the service area had resulted in an overpayment of £1,810.29.	Overpayment of salary.	Managers will be requested to submit leaver forms on a timely basis to prevent salary overpayments.	Kim Baker – transactional manager 30 November 2010
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**Payroll
AUDIT OPINION & ACTION PLAN**

6. PAYMENTS

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- A sample of employee BACS credits was successfully traced to their source payroll records.
- A final errors and warning report is produced and checked prior to the final payroll run being instigated.
- Rejected BACS credits are logged and prompt action taken to recredit or re-bank the funds as appropriate.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
6.1	**	From a sample of 5 emergency payments it was found on 1 occasion that the BACSTEL-IP officer had not signed section 4 of the BACS transmission form.	Incomplete records. Inability to identify BACSTEL-IP officer in the event of query / challenge.	Training has been provided to all relevant officers who now ensure that the BACS transmission form is fully completed.	Julie Davies – payroll & pensions control & quality manager Implemented
6.2	*	From a sample of 5 emergency payments it was found on 5 occasions that the BACS transmission form did not have the time of the transaction included in section 8.	Incomplete records. Unauthorised transactions may be made.	The BACS form has now been amended as it is not necessary for the time of the transaction to be included within section 8. (*)	Julie Davies – payroll & pensions control & quality manager Implemented
6.3	***	The council's fidelity guarantee insurance has a £10 million limit. The council's monthly BACS file value is approximately £12 million.	Insufficient insurance cover in place.	The corporate risk and project manager will refer this to the council's insurance brokers. (*)	Ann Johnson – corporate risk & project manager 31 December 2010

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AUDIT OPINION & ACTION PLAN**

7. RECONCILIATIONS

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Monthly payroll output values are reconciled to the payroll costing file and a reconciliation statement provided for use by the financial systems accountant.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
7.1	***	In examining the suspense account for the period ending 31 March 2010, it was noted that of the total value of transactions of £1,851.83, a total of £928.70 had not yet been investigated which related to previous financial years dating back to 5 April 2006. It is acknowledged that a significant number of older items have been cleared since the last audit.	Accounting information may be incorrect. A backlog of processing build up, which may be difficult to clear the longer it remains.	All items of suspense will be investigated and cleared without further delay. Officers will ensure that the suspense accounts are reviewed and cleared on a regular basis. (*)	Julie Davies – payroll & pensions control & quality manager 31 October 2010

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AUDIT OPINION & ACTION PLAN

8. SECURITY OF DATA

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- A business continuity plan has been compiled.
- Data held on the Trent system is currently registered in accordance with the Data Protection Act.
- A sample check of scanned personal files is undertaken.
- All officers selected in the sample were aware of the Data Protection Act.
- Personal files have been scanned and are now held on Intelligent, a password protected system.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
8.1	**	During the course of the audit it was noted that documents are not being scanned on a timely basis, for example, in examining a sample of expense / car mileage claims it was found that claims for May 2009 onwards had not been scanned on Intelligent.	Intelligent not up to date. Documents may be lost.	Officers now ensure that all documents are scanned and indexed onto Intelligent within 7 working days.	Dean Sweet – customer & service improvement manager Implemented
8.2	***	During the previous report it was agreed that the council's retention schedule for corporate documents would be amended to reflect that scanned personal files are destroyed five months after they have been scanned. The customer & service improvement manager confirmed that this document had not yet been amended.	Non compliance with council's retention schedule for corporate documents.	The council's retention schedule for corporate documents will be amended to reflect that personal files are destroyed five months after they have been scanned. (*)	Dean Sweet – customer & service improvement manager 30 September 2010

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Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
8.3	***	<p>From examination of files that had been scanned onto Intelligent it was found that:</p> <ul style="list-style-type: none"> on 4 occasions documentation regarding the incorrect employee was held on the file. on 1 occasion the employees' bank account details were held on the scanned file; these should be held separately. on 1 occasion the employees' CRB disclosure details were held on the scanned file; these should be held separately. 	<p>Documentation held on wrong employee's file.</p> <p>Employee's bank details may be viewed by their manager.</p> <p>Non compliance with CRB procedures.</p>	<p>Officers have now removed the documents from the employees' personal files.</p> <p>(*)</p>	<p>Dean Sweet – customer & service improvement manager</p> <p>Implemented</p>

Walsall Council
Internal Audit Service

**Final Account for
New Children's Centre at Edgar Stammers
School**

Audit Report 2009 / 2010

October 2010

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EXECUTIVE SUMMARY

A Introduction

- 1 An audit review of the contractor's final account for the New Children's Centre at Edgar Stammers School was undertaken during September 2009 part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project,

- 2 The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:
 - Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
 - All appropriate documentation has been obtained from the contractor and a suitable contract created,
 - The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
 - All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.
- 3 The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (**), medium (*) or low (*).
- 4 Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
- 5 Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
- 6 The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.

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- 7 All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B Overall Audit Opinion

- 1 Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the New Children's Centre at Edgar Stammers School as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
➔	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

- 2 A number of good practices were noted during the audit, including;
- A tender receipt form was used to regulate the receipt and opening of tenders, which were subsequently evaluated prior to an acceptance being made.
 - A letter of appointment was sent to the chosen contractor.
 - The contractor's insurance cover was maintained throughout the contract period.
 - Health and Safety, and equalities documentation were provided.
 - A surety was provided by way of a contractor's bond.
 - Regular site meetings were chaired by the architect and monitored the project's progress.
 - Practical completion and making good of defects were certified at appropriate times.
 - Architect's instructions were written and delivered to the contractor during the works' construction.
 - A final account for the project was produced and agreed.

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- Certificates show appropriate payments to the contractor.

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- 3 A number of areas for improvement were identified;
- Cabinet approval was obtained neither prior to procurement of the main contractor nor for acceptance of the chosen contractor's offer.
 - A contract was not executed under the council's seal.
 - There is no evidence of the contract in a contract register held by the directorate.
 - There is no evidence to support the value of the architect's instructions.
 - The architect's final instruction was written over a year after the project achieved practical completion.
- 4 There are two high priority actions, as follows:

Section	Action Plan Ref.	Suggested Action
Selection of Contractors and Consultants	1.2	Managers now ensure appropriate authority is obtained to accept a tender.
Contract Documents	2.1	Managers now ensure that contracts are executed in accordance with requirements of the council's current financial and contract rules.

C Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Selection of Contractors and Consultants			✓	
Contract Documents			✓	
Performance		✓		
Final Account	✓			

D Acknowledgements

- 1 Please thank Stephanie Clark for her help and co-operation during the auditor's examination of the account, particularly for making records, and certificates available.

New Children's Centre at Edgar Stammers School
Audit Report 2009 / 2010

E Significant Events

Activity	Date
Capital Programme Report to Cabinet	28 January 2005
Capital Finance Report	15 June 2006
Cabinet report to "Proceed with revised designs" for Edgar Stammers	12 July 2006
Invitation letter to prospective consultants	17 August 2006
Cabinet report noting the Head of Asset Management's use of urgency powers to appoint the consultant	24 August 2006
Appointment of BHN as Architect	25 August 2006
Cabinet report to agree "the capital schemes as set out" and appropriate funding	29 November 2006
BHN Invitation to Tender to six firms	23 November 2007
Receipt of tenders	18 May 2007
Tender evaluation report No 2	19 June 2007
Pre contract meeting with Wygar Construction Co Ltd, BHN, Walsall Council officers and other consultants	2 July 2007
Letter from executive director appointing Wygar Construction Co Ltd	11 July 2007
Works commenced	23 July 2007
Partial Possession	6 September 2007
Works completed	8 February 2008
Making good defects certified	5 March 2009
Final Account	18 March 2009
Completed final account file to audit	8 September 2009

New Children's Centre at Edgar Stammers School
AUDIT OPINION AND ACTION PLAN

1. Selection of Contractors and Consultants

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A tender receipt form was used to regulate the receipt and opening of tenders.
- Tenders were subsequently evaluated prior to an acceptance being made.
- A letter of appointment was sent to the contractor

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	**	The cabinet agreed funding for this project, but did not resolve procurement should take place. This resolution is required for projects over £500,000 in value as shown in financial and contract rule 10.3.1(a).	Procurement without appropriate authority breaches the council's rules. Managers receive better protection where procurement of major projects takes place with the cabinet's knowledge and agreement.	Managers now ensure all major projects are procured following receipt of appropriate authority.	Implemented - Design and Procurement Manager – Neville Hannington

New Children's Centre at Edgar Stammers School
AUDIT OPINION AND ACTION PLAN

ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.2	***	There is no evidence that the tender was accepted by the cabinet, as required in financial and contract rule 13.9.1(c).	Accepting tenders without appropriate authority breaches the council's rules. Authority to make the award, and the award itself, could be challenged.	Managers now ensure appropriate authority is obtained to accept a tender.	Implemented - Design and Procurement Manager – Neville Hannington

New Children's Centre at Edgar Stammers School
AUDIT OPINION AND ACTION PLAN

2. Contract Documents

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The contractor's insurance cover was maintained throughout the contract period.
- A surety was provided by way of a contractor's bond.
- Health and Safety, and equalities documentation were provided.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	***	No contract document was found for these works. Financial and contract rule 14.3.1(c) requires that a contract should be executed under the council's seal.	The council may be unable to rely upon the terms set out in the contract as this has not been executed.	Managers now ensure that contracts are executed in accordance with requirements of the council's current financial and contract rules.	Implemented - Design and Procurement Manager – Neville Hannington
2.2	**	The contract does not appear to be listed in a register held by the directorate as required in financial and contract rule 14.5.1.	Managers may be unable to demonstrate that all contracts are being properly monitored and supervised.	Managers now update a contract register within their directorate showing all current contracts.	Implemented - Design and Procurement Manager – Neville Hannington

New Children's Centre at Edgar Stammers School
AUDIT OPINION AND ACTION PLAN

3. Performance

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- Regular site meetings were chaired by the architect and monitored the project's progress.
- Architect's instructions were written and delivered to the contractor during the works' construction.
- Practical completion and making good of defects were certified at appropriate times.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	**	Although highly likely an external architect or quantity surveyor will have made a fair valuation of all variations, the auditor has been shown no evidence of how these values have been calculated.	Managers may be unable to justify the value of variations and of the contractor's final account.	Managers now demonstrate the basis on which all variations to a contract have been valued.	Implemented - Design and Procurement Manager – Neville Hannington

New Children's Centre at Edgar Stammers School
AUDIT OPINION AND ACTION PLAN

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.2	*	The architect's last instruction was written over a year after the project achieved practical completion.	Architect's instructions may be used to acknowledge a contractor's actions rather than to control the project.	Managers' monitoring of a contract now ensures the architect's instructions represent requests to the contractor rather than acknowledge events which have already taken place.	Implemented - Design and Procurement Manager – Neville Hannington

New Children's Centre at Edgar Stammers School
AUDIT OPINION AND ACTION PLAN

4. Final Account

AUDIT OPINION

Full assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A final account for the project was produced and agreed.
- Certificates show appropriate payments to the contractor.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
		There are no adverse comments about this area.			

Walsall Council
Internal Audit Service

**Final Account for
Birchills Children's Centre**

Audit Report 2009 / 2010

October 2010

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AUDIT OPINION & ACTION PLAN

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- 4 Final Account

EXECUTIVE SUMMARY

A Introduction

- 8 An audit review of the contractor's final account for the Birchills Children's Centre was undertaken during September 2009 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project,

- 9 The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:
- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
 - All appropriate documentation has been obtained from the contractor and a suitable contract created,
 - The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
 - All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.
- 10 The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (***), medium (**) or low (*).
- 11 Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
- 12 Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
- 13 The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.
- 14 All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area,

executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B Overall Audit Opinion

- 5 Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the Birchills Children's Centre as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
➔	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

- 6 A number of good practices were noted during the audit, including;
- The architect, who also acted as lead consultant, was appointed following a tendering exercise.
 - An appropriate agreement was made with the architect.
 - The tender list was obtained from the appropriate section of the council's unified standing list of contractors.
 - The lead consultant provided a written assessment of the tenders received.
 - A letter of appointment was sent to the firm whose tender was accepted.
 - Evidence of the contractor's insurance was obtained.
 - Health and Safety, and equalities documentation were provided.
 - Regular site meetings were chaired by the architect and monitored the project's progress.
 - Practical completion and making good of defects were certified.
 - Architect's instructions were written and delivered to the contractor during the works' construction.
 - A final account for the project was produced and agreed.
 - Certificates show appropriate payments to the contractor.

- 7 A number of areas for improvement were identified;
- Managers failed to obtain an Executive or Assistant Director's authority either to procure the works contract or to accept the chosen tender,
 - There was no evidence of an appropriate procedure being in place to control officers' actions at tender opening.
 - No surety was found for the due performance of these works.
 - There was no signed contract document for these works.
 - An architect's instruction has been rewritten but the initial instruction has not been rescinded.
 - An extension of time has been certified some seventeen months after practical completion was achieved.
 - The contractor's final account has not been agreed with the council's representative.
 - There has been no report on the project's outcome to the Executive or Assistant Director responsible.

- 8 There are five high priority actions, as follows:

Section	Action Plan Ref.	Agreed Action
Selection of Contractors and Consultants	1.3	Managers now ensure appropriate authority is obtained to accept a tender.
Contract Documents	2.1	Managers will now put a surety in place before works valued in excess of £150,000 commence unless an Executive or Assistant Director has agreed this is not appropriate.
	2.2	Managers now ensure that contracts are executed in accordance with requirements of the council's current financial and contract rules.
Performance	3.2	Managers now require external architects to provide contemporary certification of extension of time and other events to safeguard the council's officers and resources and to ensure compliance with financial and contract rule 15.2.1(e)
Final Account	4.1	Managers now agree with the architect the valuation of his first instruction. The Chief Internal Auditor should then be asked to agree payment outstanding monies to the contractor

C Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Selection of Contractors and Consultants			✓	
Contract Documents			✓	
Performance			✓	
Final Account			✓	

D Acknowledgements

- 1 Please thank your officer for her help and co-operation during the auditor's examination of the account, particularly for making records, and certificates available
- 2 The auditor acknowledges that the officers in charge of procurement and supervision of this project have now left the council's employment.

E Significant Events

Activity	Date
Capital Programme Report to Cabinet	12 July 2006
Capital Finance Report	28 January 2005
Invitation letter to prospective consultants	17 August 2006
Cabinet report noting the Head of Asset Management's use of urgency powers to appoint the consultant	24 August 2006
Appointment of Architect	25 August 2006
Invitation to Tender to six firms	16 July 2007
Receipt of tenders	17 August 2007
Tender evaluation report	17 September 2007
Pre contract meeting with Wernick Buildings Ltd Construction Co Ltd, BHN, Walsall Council officers and other consultants	7 November 2007
Letter from executive director appointing Wernick Construction Co Ltd	3 October 2007
Works commenced	10 December 2007
Date set for practical completion	22 February 2008
Practical completion	4 April 2008
Making good defects certified	5 May 2009
Final account	8 April 2008
Completed final account file to audit	17 September 2009

Birchills Children's Centre
AUDIT OPINION AND ACTION PLAN

1. Selection of Contractors and Consultants

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The architect, who also acted as lead consultant, was appointed following a tendering exercise.
- An appropriate agreement was made with the architect.
- A letter of appointment was sent to the firm whose tender was accepted.
- The tender list was obtained from the appropriate section of the council's unified standing list of contractors.
- The lead consultant provided a written assessment of the tenders received.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	**	There is no evidence of an Executive or Assistant Director approving the procurement of this project as required by financial and contract rule 10.3.1(b).	Procurement without appropriate authority breaches the council's rules. Managers receive better protection where projects of this value are procured following an Executive or Assistant Director's knowledge and agreement.	Managers now ensure all large projects are procured following receipt of appropriate authority.	Implemented - Design and Procurement Manager – Neville Hannington

Birchills Children's Centre
AUDIT OPINION AND ACTION PLAN

ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.2	**	The auditor was not shown any evidence of a tender opening procedure as required in financial and contract rules 13.6.2 and 13.7.	Firms' tenders are open to question and possible challenge unless tender opening procedures are in place and fully documented.	Managers now document a tender opening procedure for tenders whose value does not exceed £150,000.	Implemented - Design and Procurement Manager – Neville Hannington
1.3	***	There is no evidence that the tender was accepted by the Executive or Assistant Director as required in financial and contract rule 13.9.1(b).	Accepting tenders without appropriate authority breaches the council's rules. Authority to make the award, and the award itself, could be challenged.	Managers now ensure appropriate authority is obtained to accept a tender.	Implemented - Design and Procurement Manager – Neville Hannington

Birchills Children's Centre
AUDIT OPINION AND ACTION PLAN

2. Contract Documents

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The contractor's insurance cover was maintained throughout the contract period.
- An agreement to enable the contract to be revoked in the event of corruption has been signed by the contractor.
- Health and Safety, and equalities documentation were provided.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	***	There appears to be no surety for the due performance of these works. Provision of a surety is required in financial and contract rule 13.4.	The council's capital would be at risk were a contractor to abandon the works or cease to trade.	Managers now I ensure a surety is put in place before works valued in excess of £150,000 commence unless an Executive or Assistant Director has agreed this is not appropriate.	Implemented - Design and Procurement Manager – Neville Hannington Discussions are taking place between Property Services and Legal Services to address legacy issues.

Birchills Children's Centre
AUDIT OPINION AND ACTION PLAN

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.2	***	No contract document was found for these works. Financial and contract rule 14.3.1(b) requires that a contract should be executed under an Executive or Assistant Director's hand.	The council may be unable to rely upon the terms set out in the contract as this has not been executed.	Managers now ensure contracts are executed in accordance with requirements of the council's current financial and contract rules.	Implemented - Design and Procurement Manager – Neville Hannington Discussions are taking place between Property Services and Legal Services to address legacy issues
2.3	**	The contract does not appear to be listed in a register held by the directorate as required in financial and contract rule 14.5.1.	Managers may be unable to demonstrate that all contracts are being properly monitored and supervised.	Managers now update a contract register within their directorate showing all current contracts.	Implemented - Design and Procurement Manager – Neville Hannington

Birchills Children's Centre
AUDIT OPINION AND ACTION PLAN

3. Performance

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- Regular site meetings were chaired by the architect and monitored the project's progress.
- Architect's instructions were written and delivered to the contractor during the works' construction.
- Practical completion and making good of defects were certified at appropriate times.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	*	Following an agreement between the contractor and the architect, the architect's first instruction was rewritten for a larger amount. The initial instruction has not been rescinded.	The council could be liable to the value of both the original instruction and the one purporting to replace it.	Should this situation occur in future contracts, managers will now request that the architect revoke the initial instruction to ensure the council is not liable for the cost of both this and the rewritten instruction.	Implemented - Design and Procurement Manager – Neville Hannington

Birchills Children's Centre
AUDIT OPINION AND ACTION PLAN

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.2	***	The works achieved practical completion some weeks after the date set. An extension of time was certified by the architect on 21 September 2009, over seventeen months after he had certified the works practical completion and refused the contractor's application. The auditor was informed that the certificate was raised after an officer questioned the absence of liquidated damages.	Reliance on certificates which were not issued at the time of the event they purport to represent call into question the reason for their creation. Officers would be unable to refute suggestions that the late certificate represents some arrangement between the architect and the contractor.	Managers now require external architects to provide contemporary certification of extension of time and other events to safeguard the council's officers and resources and to ensure compliance with financial and contract rule 15.2.1(e)	Implemented - Design and Procurement Manager – Neville Hannington

Birchills Children's Centre
AUDIT OPINION AND ACTION PLAN

4. Final Account

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A final account for the project was produced and agreed.
- Certificates show appropriate payments to the contractor

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.1	***	The contractor's final account has been agreed with the architect, but there is no evidence on its having been agreed with Walsall Council as the employer.	Officers are unable to show best value has been received for this project. In this instance there are areas where the final sum remains unclear.	Managers will now agree with the architect the valuation of his first instruction. The Chief Internal Auditor should then be asked to agree payment of outstanding monies to the contractor	Implemented - Design and Procurement Manager – Neville Hannington
4.2	**	As yet there has been no report upon the project's success to the Executive or Assistant Director. Requirements of financial and contract rule 15.5.1 should be followed.	Managers fail to celebrate the project's success with the Executive or Assistant Director or to enable lessons to be learned for future projects.	A report will now be made to the Executive or Assistant Director responsible for the project, showing its success and highlighting any lessons to be learned for future projects.	Implemented - Design and Procurement Manager – Neville Hannington

Walsall Council
Internal Audit Service

**Final Account for
Frank F Harrison STEM Centre Phase 1**

Audit Report 2009 / 2010

October 2010

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EXECUTIVE SUMMARY

A Introduction

- 1 An audit review of the contractor's final account for the Frank F Harrison STEM Centre Phase 1 was undertaken during October 2009 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project,

- 2 The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:
- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
 - All appropriate documentation has been obtained from the contractor and a suitable contract created,
 - The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
 - All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.
- 3 The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (**), medium (*) or low (*).
- 4 Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
- 5 Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
- 6 The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.

- 7 All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B Overall Audit Opinion

- 1 Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the Frank F Harrison STEM Centre Phase 1 as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
➔	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

- 2 A number of good practices were noted during the audit, including;
- The consultant architect was chosen following competitive tenders and provided evidence of indemnity.
 - Tenders were sought from firms on the council's unified standing list.
 - A tender receipt form was used to regulate the receipt of tenders.
 - The architect provided a written assessment of the tenders.
 - A letter of appointment was sent to the chosen contractor.
 - The contractor's insurance cover was maintained throughout the contract period.
 - Health and Safety, and equalities documentation were provided.
 - Regular site meetings were chaired by the architect and monitored the project's progress.
 - Practical completion and making good of defects were certified.
 - A final account for the project was produced and agreed.
 - Certificates show appropriate payments to the contractor.

3 A number of areas for improvement were identified;

- A Head of Service approved the procurement although its value was over £150,000.
- There is no evidence about the procedure used to open the tenders as the tender receipt form (TRF) has not been fully completed.
- The tender document provided for assessment to be based on a number of criteria but the evaluation report used only price and construction time period.
- No surety was found for the contractor's performance of the works.
- No contract document was found for these works. Financial and contract rule 14.3.1(c) requires that a contract should be executed under an Executive or Assistant Director's hand.
- The contract does not appear to be listed in a register held by the directorate.
- The architect has dated all seven of his instructions "May 08", at or after the time the works achieved practical completion.
- An extension of time was certified by the architect on 18 September 2009, over sixteen months after he had certified the works' practical completion and refused the contractor's application.
- The contractor's final account has been agreed with the architect, but there is no evidence on its having been agreed with Walsall Council as the employer.
- As yet there has been no report upon the project's success to the Executive or Assistant Director.

4 There are four high priority actions, as follows:

Section	Action Plan Ref.	Agreed Action
Selection of Contractors and Consultants	1.2	Managers now document a tender opening procedure where tenders are opened by officers.
Contract Documents	2.1	Managers now put a surety in place before works valued in excess of £150,000 commence unless an Executive or Assistant Director has agreed this is not appropriate.
	2.2	Managers now ensure that contracts are executed in accordance with requirements of the council's current financial and contract rules.
Performance	3.2	Managers now require external architects to provide contemporary certification of extension of time and other events to safeguard the council's officers and resources and to ensure compliance with financial and contract rule 15.2.1(e)

Frank F Harrison STEM Centre Phase 1
Audit Report 2009 / 2010

C Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Selection of Contractors and Consultants			✓	
Contract Documents			✓	
Performance			✓	
Final Account		✓		

D Acknowledgements

- 1 Please thank Stephanie Clark for her help and co-operation during the auditor's examination of the account, particularly for making records, and certificates available.

E Significant Events

Activity	Date
Capital Finance Report	29 January 2007
Head of Service approved procurement of works for Frank F Harrison STEM Centre	04 July 2007
Appointment of Allen Group as Architect	23 April 2007
Allen Group Invitation to Tender to six firms	13 July 2007
Receipt of tenders	10 August 2007
Tender evaluation report	12 November 2007
Pre contract meeting with E Manton Limited, Allen Group, SERCO, Walsall Council officers and other consultants	22 November 2007
Letter from executive director appointing E Manton Limited	14 November 2007
Works commencement date	10 December 2007
Works completion due date	18 April 2008
Revised completion date	2 May 2008
Practical completion certified date	2 May 2008
Making good defects certified	24 August 2009
Final Account	3 June 2008
Completed final account file to audit	18 September 2009
Extension of time certified	18 September 2009

Frank F Harrison STEM Centre Phase 1
AUDIT OPINION AND ACTION PLAN

1. Selection of Contractors and Consultants

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The consultant architect was chosen following competitive tenders and provided evidence of indemnity.
- Tenders were sought from firms on the council's unified standing list.
- The architect provided a written assessment of the tenders.
- A letter of appointment was sent to the chosen contractor.
- A tender receipt form was used to regulate the receipt of tenders.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	**	A Head of Service approved the procurement although the value was over £150,000.	Procurement without appropriate authority breaches the council's rules. Managers receive better protection where procurement of major projects takes place with an Executive or Assistant Director's knowledge and agreement.	Managers now ensure projects are procured following receipt of appropriate authority.	Implemented – Design and Procurement Manager – Neville Hannington Managers had believed that permission to seek tenders was assumed where capital had been approved.

Frank F Harrison STEM Centre Phase 1
AUDIT OPINION AND ACTION PLAN

ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.2	***	There is no evidence that a suitable procedure controlled the opening of tenders, as the tender receipt form (TRF) has not been fully completed.	Firms' tenders are open to question and possible challenge unless tender opening procedures are in place and fully documented.	Managers now document a tender opening procedure where tenders are opened by officers.	Implemented – Design and Procurement Manager – Neville Hannington
1.3	**	The tender document provided for assessment to be based on a number of criteria but the evaluation report used only price and construction time period.	The award could be open to question, and may be in breach of EU requirements, where tenders are not assessed in accordance with criteria provided.	Managers now ensure tenders are assessed in accordance with criteria provided to firms.	Implemented – Design and Procurement Manager – Neville Hannington

Frank F Harrison STEM Centre Phase 1
AUDIT OPINION AND ACTION PLAN

2. Contract Documents

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The contractor's insurance cover was maintained throughout the contract period.
- Health and Safety, and equalities documentation were provided.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	***	No surety was found for the contractor's performance of the works.	The council's capital would be at risk were a contractor to abandon the works or cease to trade.	Managers now put a surety in place before works valued in excess of £150,000 commence unless an Executive or Assistant Director has agreed this is not appropriate.	Implemented - Design and Procurement Manager – Neville Hannington

Frank F Harrison STEM Centre Phase 1
AUDIT OPINION AND ACTION PLAN

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.2	***	No contract document was found for these works. Financial and contract rule 14.3.1(c) requires that a contract should be executed under an Executive or Assistant Director's hand.	The council may be unable to rely upon the terms set out in the contract as this has not been executed.	Managers now ensure that contracts are executed in accordance with requirements of the council's current financial and contract rules.	Implemented - Design and Procurement Manager – Neville Hannington Discussions are taking place between Property Services and Legal Services to address legacy issues.
2.3	**	The contract does not appear to be listed in a register held by the directorate as required in financial and contract rule 14.5.1.	Managers may be unable to demonstrate that all contracts are being properly monitored and supervised.	Managers now update a contract register within their directorate showing all current contracts.	Implemented - Design and Procurement Manager – Neville Hannington

Frank F Harrison STEM Centre Phase 1
AUDIT OPINION AND ACTION PLAN

3 Performance

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- Regular site meetings were chaired by the architect and monitored the project's progress.
- Practical completion and making good of defects were certified.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	**	The architect has dated all seven of his instructions "May 08", at or after the time the works achieved practical completion.	Architect's instructions may be used to acknowledge a contractor's actions rather than to control the project.	Managers' monitoring of a contract now ensures the architect's instructions represent requests to the contractor rather than acknowledge events which have already taken place.	Implemented – Design and Procurement Manager – Neville Hannington

Frank F Harrison STEM Centre Phase 1
AUDIT OPINION AND ACTION PLAN

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.2	***	An extension of time was certified by the architect on 18 September 2009, over sixteen months after he had certified the works' practical completion and refused the contractor's application. The auditor was informed that the certificate was raised after an officer questioned the absence of liquidated damages.	Reliance on certificates which were not issued at the time of the event they purport to represent call into question the reason for their creation. Officers would be unable to refute suggestions that the late certificate represents some arrangement between the architect and the contractor.	Managers now require external architects to provide contemporary certification of extension of time and other events to safeguard the council's officers and resources and to ensure compliance with financial and contract rule 15.2.1(e)	Implemented – Design and Procurement Manager – Neville Hannington

Frank F Harrison STEM Centre Phase 1
AUDIT OPINION AND ACTION PLAN

4. **Final Account**

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A final account for the project was produced and agreed.
- Certificates show appropriate payments to the contractor.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.1	**	The contractor has agreed his final account with the architect, but there is no evidence of its having been agreed with Walsall Council, the employer.	Officers are unable to demonstrate that the contractor's final account offers the council best value for this project.	Managers now agree with the architect the valuation of his final account prior to the Chief Internal Auditor being asked to agree payment of outstanding monies to the contractor	Implemented - Design and Procurement Manager – Neville Hannington
4.2	**	As yet there has been no report upon the project's success to the Executive or Assistant Director. Requirements of financial and contract rule 15.5.1 should be followed.	Managers fail to celebrate the project's success with the Executive or Assistant Director or to enable lessons to be learned for future projects.	A report will now be made to the Executive or Assistant Director responsible for the project, showing its success and highlighting any lessons to be learned for future projects.	Implemented - Design and Procurement Manager – Neville Hannington

Walsall Council
Internal Audit Service

**Castle School - Refurbishment of
Technology Classrooms**

Audit Report 2009 / 2010

October 2010

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EXECUTIVE SUMMARY

A Introduction

- 1 An audit review of the contractor's final account for the Castle School - Refurbishment of Technology Classrooms was undertaken during October 2009 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project,

- 2 The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:
- Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
 - All appropriate documentation has been obtained from the contractor and a suitable contract created,
 - The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
 - All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.
- 3 The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (***), medium (**) or low (*).
- 4 Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
- 5 Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
- 6 The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.

Castle School - Refurbishment of Technology Classrooms
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- 7 All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B Overall Audit Opinion

1. Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the Castle School - Refurbishment of Technology Classrooms as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
➔	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

- 2 A number of good practices were noted during the audit, including;
- The Head of Service approved the project's go-ahead in the belief it would cost less than £150,000.
 - The names of all firms asked to tender were on the council's unified standing list of contractors and consultants.
 - Full details and specifications were sent to each of the firms asked to tender.
 - Tenders were assessed by the quantity surveyor who produced a written report.
 - The tender was accepted by an Assistant Director who also signed a letter of appointment.
 - The contractor provided a surety, and evidence of insurance.
 - Health and Safety, and equalities documentation were provided.
 - Regular site meetings were chaired by the contract administrator and monitored the project's progress.

Castle School - Refurbishment of Technology Classrooms
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- Architect's instructions were written and delivered to the contractor during the works' construction.
- A final account has been provided by the quantity surveyor.
- Payment to the contractor has been made through payment certificates.

3 A number of areas for improvement were identified;

- Managers have used a non-standard form to record receipt and opening of tenders.
- The formal contract was not executed under hand.
- There was no evidence to show that the contract had been entered into an appropriate register.
- The certificate of practical completion showed a number of substantial tasks, to be undertaken by the contractor or his domestic sub-contractors, remained incomplete.
- Making good of the works' defects has not yet been certified.
- The contractor's final account has not been signed to show it has been agreed by the contractor, quantity surveyor or the council.
- The second payment certificate bears an erroneous figure, which has caused the contractor to be overpaid by £4,000. A payment by the contractor is now due to the council.
- There has been no report on the project's outcome to the Executive or Assistant Director responsible.

4 There are three high priority actions, as follows:

Section	Action Plan Ref.	Agreed Action
Contract Documentation	2.1	Managers now ensure contracts are executed as soon as possible after the contractor's appointment.
Performance	3.1	Managers now ensure practical completion is certified when all major items to be provided by the contractor or his domestic sub-contractors are in place and the works are able to be handed over to the employer.
Final Account	4.2	Managers now seek the return of money due to the council by issuing a sundry debtor account at their earliest opportunity.

C Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Selection of Contractors and Consultants	✓			

Castle School - Refurbishment of Technology Classrooms
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Contract Documents		✓		
Performance			✓	
Final Account			✓	

D Acknowledgements

- 1 Please thank your officer for her help and co-operation during the auditor's examination of the account, particularly for making records, and certificates available.

E Significant Events

Activity	Date
Report to Cabinet	N/A
Capital Finance Report	N/A
Appointment of Lead Consultant	1 August 2007
Approval to Seek Tenders	27 November 2007
Invitation to Tender	13 December 2007
Receipt of Tenders	25 January 2008
Tender Evaluation Report	February 2008
Letter of Appointment	27 March 2008
Pre-Contract Meeting	14 March 2008
Sealed / Signed Contract	Not Executed
Works Commenced	31 March 2008
Practical Completion Required by	7 July 2008
Practical Completion Achieved	7 July 2008
Last Instruction to Contractor	8 August 2008
Making Good Defects certified	Not Certified
Final Account	November 2008
Completed Final Account to Audit	20 October 2009

Castle School - Refurbishment of Technology Classrooms
Audit Report 2009 / 2010

1. **Selection of Contractors and Consultants**

AUDIT OPINION

Full assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The Head of Service approved the project's go-ahead in the belief it would cost less than £150,000.
- Full details and specifications were sent to each of the firms asked to tender.
- The tender was accepted by an Assistant Director who also signed a letter of appointment.
- The names of all firms asked to tender were on the council's unified standing list of contractors and consultants.
- Tenders were assessed by the quantity surveyor who produced a written report.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	*	Managers used a non-standard form for recording the receipt and opening of tenders.	Managers may be unable to demonstrate that treatment of tenders is strictly in accordance with the council's financial and contract rules.	Managers now consider using the standard tender receipt form to demonstrate that all tenders are treated in accordance with the council's requirements.	Implemented – Design and Procurement Manager – Neville Hannington

Castle School - Refurbishment of Technology Classrooms
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2. **Contract Documents**

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The contractor provided a surety, and evidence of insurance.
- Health and Safety, and equalities documentation were provided.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	***	The formal contract was not executed under hand as required by financial and contract rule 14.3.1(b). The administrator returned documents to Property Services for signing by the Executive Director, but these can no longer be found.	The council may be unable to rely upon the terms of the contract should a dispute occur.	Managers now ensure contracts are executed at soon as possible after the contractor's appointment.	Implemented - Design and Procurement Manager – Neville Hannington
2.2	*	There was no evidence to show that the contract had been entered into an appropriate register.	Managers may be unable to demonstrate that all contracts are being properly monitored and supervised.	Managers now update a contract register within their directorate showing all current contracts.	Implemented - Design and Procurement Manager – Neville Hannington

Castle School - Refurbishment of Technology Classrooms
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3. Performance

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- Regular site meetings were chaired by the contract administrator and were used to monitor the project's progress.
- Architect's instructions were written and delivered to the contractor during the works' construction.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	***	The practical completion certificate showed substantial tasks remained incomplete. Minutes of a site meeting show the works were not ready to be handed to the employer at the date shown on the certificate.	The contract administrator may lose control of work remaining uncompleted where he or she certifies practical completion to have taken place.	Managers now ensure practical completion is certified when all major items to be provided by the contractor or his domestic sub-contractors are in place and the works are able to be handed over to the employer.	Implemented - Design and Procurement Manager – Neville Hannington

Castle School - Refurbishment of Technology Classrooms
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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.2	**	The works' making good has yet to be certified, some fifteen months after their practical completion was agreed.	Making a final payment to a contractor prior to his making good all defects	Managers now withhold a final payment until works have been made good.	Implemented - Design and Procurement Manager – Neville Hannington

Castle School - Refurbishment of Technology Classrooms
Audit Report 2009 / 2010

4. **Final Account**

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A final account for the project was produced and agreed.
- Certificates show appropriate payments to the contractor.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.1	**	The contractor's final account has not been signed to show it has been agreed by the contractor, quantity surveyor or council.	Officers are unable to rely upon the final account as an accurate statement of the contract's cost and the council's financial liability.	Managers now ensure their examination of the contractor's final account uses a copy signed by both the contractor and quantity surveyor.	Implemented - Design and Procurement Manager – Neville Hannington
4.2	***	The second payment certificate bears an erroneous figure, resulting in the contractor being substantially overpaid.	The council is forced to seek a payment from the contractor, which may not be forthcoming.	Managers now seek the return of money due to the council by issuing a sundry debtor account at their earliest opportunity.	Implemented - Design and Procurement Manager – Neville Hannington

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.3	**	There has been no report on the project's outcome to the Executive or Assistant Director responsible.	Managers fail to celebrate the project's success with the Executive or Assistant Director or to enable lessons to be learned for future projects.	A report is now made to the Executive or Assistant Director responsible for the project, showing its success and highlighting any lessons to be learned for future projects.	Implemented - Design and Procurement Manager – Neville Hannington

Walsall Council
Internal Audit Service

Final Account for Works at
Bloxwich C E School

Audit Report 2009 / 2010

October 2010

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EXECUTIVE SUMMARY

A Introduction

1. An audit review of the contractor's final account for the Bloxwich C E School was undertaken during November 2009 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project,
2. The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:
 - Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
 - All appropriate documentation has been obtained from the contractor and a suitable contract created,
 - The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
 - All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.
3. The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (**), medium (*) or low (*).
4. Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
5. Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
6. The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.
7. All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this

area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B Overall Audit Opinion

1. Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the Bloxwich C E School as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
➔	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

2. A number of good practices were noted during the audit, including;
- An appropriate agreement was made with the architect.
 - The tender list was obtained from the appropriate section of the council's unified standing list of contractors.
 - A tender return form documented the tendering exercise.
 - The quantity surveyor provided a written assessment of the tenders received.
 - The winning tender was accepted by an Assistant Director.
 - A letter of appointment was sent to the chosen contractor.
 - The contractor provided evidence of insurance.
 - Health and Safety, equalities and CDM documentation were provided.
 - Regular site meetings were chaired by the architect and monitored the project's progress.
 - Architect's instructions were written and delivered to the contractor during the works' construction.
 - Practical completion was certified.
 - A final account for the project has been produced by the quantity surveyor and agreed with the contractor.

- Certificates show appropriate payments to the contractor.

3. A number of areas for improvement were identified;

- A different architect was appointed from the one approved.
- The evaluator was not provided with George Law's proposed electrical installation costs.
- Signed acceptance of the tender is not dated.
- There is no surety nor an Executive or Assistant Director's agreement that one should not be obtained.
- Neither race relations nor health and safety documentation identifies the company by name.
- The contract document has not been signed by the council.
- Works commenced prior to the council's letter of appointment.
- There is no evidence of site meetings taking place after 10 July 2008, although works were not complete until 4 September.
- No architect's instructions are priced, and two instructions are not provided.
- Making good of defects has not been certified.
- The contractor's final account has yet to be agreed by the council.
- The quantity surveyor's final account includes six additional items for which the architect has provided no instruction.
- There has been no report on the project's outcome to the Executive or Assistant Director responsible.

4. There are six high priority actions, as follows:

Section	Action Plan Ref.	Agreed Action
Selection of Contractors and Consultants	1.1	Officers now only appoint the firms approved by the appropriate manager.
Contract Documents	2.1	Managers now obtain a surety from a contractor, except where an Assistant or Executive Director agrees otherwise as set out in financial and contract rule 13.4.
	2.3	Where the value of a contract exceeds £50,000, managers now sign a contract document as required in financial and contract rule 14.3.1(b).
Performance	3.1	Managers now ensure contractors are formally appointed prior to commencing works and that the date of their commencement is certain.
	3.3	Managers now be able to show that all changes have been authorised and to demonstrate the basis on which these have been valued.

Bloxwich C E School
Audit Report 2009 / 2010

Section	Action Plan Ref.	Agreed Action
Final Account	4.2	Managers now identify unauthorised items in a contractor's final account and ensure they do not make payment for these.

5. Many of the weaknesses detailed within this report have appeared in other final account reports in the recent past. Internal audit and the audit committee have received managers' assurance that agreed audit report actions have been fully addressed and that similar findings, weaknesses and exceptions would not occur in future. The quarterly directorate schedules have also been signed off by executive and assistant directors – regeneration, confirming that processes and procedures had been improved to prevent re-occurrence.
6. Disappointingly a high number of exceptions were noted in this review. As a result you should be aware that the audit committee may well ask the executive director to attend the committee and provide explanation.

C Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Selection of Contractors and Consultants		✓		
Contract Documents			✓	
Performance			✓	
Final Account			✓	

D Acknowledgements

1. Please thank your officer for her help and co-operation during the auditor's examination of the account, particularly for collecting and collating the records, and certificates subsequently presented to auditors in a neat and ordered file.
2. The auditor acknowledges that the officer who prepared the final account file was not responsible for the procurement or conduct of the contract, the officer responsible having now left the council.

E Significant Events

Activity	Date
Report to Cabinet	24 October 2007
Capital Finance Report	8 May 2007
Appointment of Lead Consultant	25 January 2008
Invitation to Tender	28 April 2008
Receipt of Tenders	15 May 2008
Tender Evaluation Report	May 2008
Letter of Appointment	25 June 2008
Pre-Contract Meeting	6 June 2008
Sealed / Signed Contract	None
Works Commenced	9 or 16 June 2008
Practical Completion Required by	4 September 2008
Practical Completion Achieved	4 September 2008
Last Instruction to Contractor	29 July 2008*
Making Good Defects certified	None
Final Account	18 March 2009
Completed Final Account to Audit	20 October 2009

* Architect's instruction 7 is dated 29 July 2008. The auditor has not been shown a copy of architect's instructions 3 or 8 and has no knowledge of their dates.

Further works items are shown in the quantity surveyor's final account. Instructions have not been seen covering these items, and none are cited. It is not known by whom or when such instructions were given.

1. Selection of Contractors and Consultants

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- An appropriate agreement was made with the architect.
- The tender list was obtained from the appropriate section of the council's unified standing list of contractors.
- A tender return form documented the tendering exercise.
- The quantity surveyor provided a written assessment of the tenders received.
- The winning tender was accepted by an Assistant Director.
- A letter of appointment was sent to the chosen contractor.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	***	The service manager approved the appointment of Architect Design Partnership, but a different partnership was subsequently appointed without explanation.	The consultant's appointment has not been approved by the Head of Service or other manager.	Officers now only appoint the firms approved by the appropriate manager.	Implemented - Design and Procurement Manager – Neville Hannington
1.2	**	The evaluator was not provided with G L's proposed electrical installation costs. The firm claims to have supplied these to Walsall Council.	The evaluator's report is open to question where all relevant details have not been provided.	Managers now ensure evaluation includes all relevant details and costs.	Implemented - Design and Procurement Manager – Neville Hannington

Bloxwich C E School
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ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.3	*	Signed acceptance of the tender is not dated.	Acceptance of the firm's tender prior to its appointment could be called into question.	Managers now ensure their acceptance of a tender is signed and dated.	Implemented - Design and Procurement Manager – Neville Hannington

2. Contract Documents

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The contractor provided evidence of insurance.
- Health and Safety, equalities and CDM documentation were provided.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	***	There is neither a surety nor an Executive or Assistant Director's agreement that one should not be obtained. Instead, the contractor provided a parent company guarantee.	The contractor's parent company guarantee would only hold good providing the parent company remained solvent.	Managers now obtain a surety from a contractor, except where an Assistant or Executive Director agrees otherwise as set out in financial and contract rule 13.4.	Implemented - Design and Procurement Manager – Neville Hannington
2.2	**	Neither race relations nor health and safety documentation identifies the company by name.	Documents' authenticity cannot be proved and could call into question managers' compliance with council requirements.	Managers are now able able to prove beyond reasonable doubt they have complied with the requirements of financial and contract rule 14.4.	Implemented - Design and Procurement Manager – Neville Hannington

Bloxwich C E School
Audit Report 2009 / 2010

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.3	***	Only the contractor has signed the contract document: there is no signature from an Executive or Assistant Director.	The council could be unable to rely upon the terms of the contract if there were a dispute.	Where the value of a contract exceeds £50,000, managers now sign a contract document as required in financial and contract rule 14.3.1(b).	Implemented - Design and Procurement Manager – Neville Hannington

3. Performance

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- Regular site meetings were chaired by the architect and monitored the project's progress.
- Architect's instructions were written and delivered to the contractor during the works' construction.
- Practical completion was certified.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	***	Works commenced on either 9 or 16 June 2008, prior to the council's letter of appointment dated 25 June.	Authority for and control of the contract is called into question where their commencement date is in doubt and pre-dates the official appointment.	Managers now ensure contractors are formally appointed prior to commencing works and that the date of their commencement is certain.	Implemented - Design and Procurement Manager – Neville Hannington
3.2	**	There is no evidence of site meetings taking place after 10 July 2008, although works were not complete until 4 September.	Without evidence of site meetings it is difficult to demonstrate that the council has properly controlled the project.	Managers now provide evidence of all site meetings so as to demonstrate their control of the project required in financial and contract rule 15.2.1(a).	Implemented - Design and Procurement Manager – Neville Hannington

Bloxwich C E School
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3.3	***	No architect's instructions are priced and neither instructions 3 nor 8 have been provided.	Managers may be unable to justify the value of variations, even where a quantity surveyor has prepared a final account, and or to show all changes are authorised.	Managers now be able to show that all changes have been authorised and to demonstrate the basis on which these have been valued.	Implemented - Design and Procurement Manager – Neville Hannington
3.4	**	Making good of defects has not been certified some fourteen months after works achieved practical completion.	Making a final payment prior to all defects being rectified puts at risk the likelihood of the contractor ever correcting them.	Managers now ensure the architect has certified the making good of defects prior to making a final payment to the contractor.	Implemented - Design and Procurement Manager – Neville Hannington

4. Final Account

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A final account for the project has been produced by the quantity surveyor and agreed with the contractor.
- Certificates show appropriate payments to the contractor.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.1	**	The contractor's final account has yet to be agreed with the council's representative.	Officers are unable to demonstrate they have examined the contractor's final account or that best value has been received.	Managers now examine the contractor's final account and agree it with both the quantity surveyor and contractor.	Implemented - Design and Procurement Manager – Neville Hannington
4.2	***	The quantity surveyor's final account includes six additional items totalling £2,130.29 for which the architect has provided no instruction.	Managers cannot demonstrate that the council is liable for the cost of additional items not instructed by the architect.	Managers now identify unauthorised items in a contractor's final account and ensure they do not make payment for these.	Implemented - Design and Procurement Manager – Neville Hannington

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.3	**	There has been no report on the project's outcome to the Executive or Assistant Director responsible.	Managers fail to celebrate the project's success with the Executive or Assistant Director or to enable lessons to be learned for future projects.	A report is now made to the Executive or Assistant Director responsible for the project, showing its success and highlighting any lessons to be learned for future projects.	Implemented - Design and Procurement Manager – Neville Hannington

Walsall Council
Internal Audit Service

**Building of
Fibbersley Park School**

Audit Report 2009 / 2010

October 2010

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EXECUTIVE SUMMARY

A Introduction

1. An audit review of the contractor's final account for the building of Fibbersley Park School was undertaken during December 2009 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project,

2. The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:
 - Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
 - All appropriate documentation has been obtained from the contractor and a suitable contract created,
 - The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
 - All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.
3. The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (**), medium (*) or low (*).
4. Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
5. Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
6. The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.

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7. All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B Overall Audit Opinion

- 1 Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the building of fibbersley Park School as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
➔	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

- 2 A number of good practices were noted during the audit, including;
- The lead consultant was chosen following a competitive tender process.
 - An EU restricted procedure was used to choose the main contractor.
 - A TRF controlled the receipt of tenders.
 - The quantity surveyor produced a formal tender evaluation report.
 - A delegation from cabinet enabled appointment of the main contractor.
 - The main contractor received and acknowledged a letter of appointment.
 - The contractor provided evidence of his insurance.
 - A surety was provided in the form of a bond.
 - The contractor completed equalities and health and safety forms and agreed that the contract could be revoked in the event of corruption.
 - CDM arrangements were appropriate.
 - A pre-start meeting set out arrangements for the works.
 - Regular site meetings took place and controlled the project's progress.

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- Architect's written instructions were used to vary the works.
- Additional time requested by the contractor to complete the works was certified.
- The architect certified practical completion and making good of defects.
- The quantity surveyor provided a final account for the project.
- Payments to the contractor were controlled by certificate.

3 A number of areas for improvement were identified;

- Neither a letter of appointment nor a contract was provided for the architect, whose commission exceeds £300,000.
- An Executive Director has not resolved that the contract be procured.
- There is no signed acceptance of Thomas Vale by an Executive Director acting as cabinet's delegate.
- Managers failed to demonstrate that the contractor's insurance remained in place throughout the time the building was under construction.
- There is no contract under the council's seal.
- No record of the contract is shown on a register maintained in the department.
- A large number of instructions were written after the contract had reached practical completion.
- The final account was not produced until June 2009, some eight months after the making good was certified and is yet to be agreed by the council.
- The auditor received the final account in November 2009, some five months after it had been agreed between the quantity surveyor and contractor.
- There has been no report on the project's outcome to the Executive or Assistant Director responsible.

4 There are four high priority actions, as follows:

Section	Action Plan Ref.	Agreed Action
Selection of Contractors and Consultants	1.1	Managers now provide a letter of appointment and a contract to the lead consultant as required by the council's financial and contract rules 14.2 and 14.3.
	1.2	Managers now ensure appropriate authority is obtained before seeking tenders as set out in financial and contract rule 10.3.
Contract Documents	2.2	Managers now ensure contracts are executed as soon as possible after the contractor's appointment as set out in financial and contract rule 14.3.
Final Account	4.2	Managers now ensure contractors' final accounts are received and processed promptly to ensure the final payment is made at the appropriate time.

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C Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Selection of Contractors and Consultants			✓	
Contract Documents			✓	
Performance		✓		
Final Account			✓	

D Acknowledgements

- 1 The auditor has relied upon the final account provided by the quantity surveyor, Derek Evans and partners and has not:
 - Checked quantities, measurements and prices in the final account to the bill of quantities which formed part of the contractor's tender, or
 - Undertaken physical measurements on the site.
- 2 Please thank your officers for their help and co-operation during the auditor's examination of the account, particularly for making records and certificates available.

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E Significant Events

1 The project achieved the major milestones on the dates shown below.

Activity	Date
Report to Cabinet	7 November 2005
Capital Finance Report	9 May 2007*
Appointment of Lead Consultant	11 January 2005
Invitation to Tender	4 January 2006
Receipt of Tenders	15 February 2006
Tender Evaluation Report	24 February 2006
Tender Accepted	7 March 2006
Letter of Appointment	15 March 2006
Pre-Contract Meeting	29 March 2006
Sealed / Signed Contract	None
Works Commenced	10 April 2006
Practical Completion Required by	18 May 2007
Practical Completion Achieved	30 May 2007
Last Instruction to Contractor	3 June 2009
Making Good Defects certified	14 October 2008
Final account agreed between quantity surveyor and contractor	9 June 2009
Completed Final Account to Audit	November 2009

* A number of Capital Finance Reports have been found, but it is not possible to tie any of them to the works

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1. Selection of Contractors and Consultants

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The lead consultant was chosen following a competitive tender process.
- EU restricted procedure was used to appoint the contractor.
- A TRF controlled the receipt of tenders.
- The quantity surveyor produced a formal tender evaluation.
- A cabinet delegation was used to appoint the main contractor.
- The main contractor received a letter of appointment.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	***	Neither a letter of appointment nor a contract was provided for the architect, whose commission exceeds £300,000. This is in breach of Contract Procedure Rules 26.1 and 29.2 as then in force.	Managers may be unable to enforce the terms of their agreement with the architect where only verbal acceptance of his agreement has been received.	Managers now provide a letter of appointment and a contract to the lead consultant as required by the council's financial and contract rules 14.2 and 14.3 as now in force	Implemented - Design and Procurement Manager – Neville Hannington

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ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.2	***	Neither an Executive Director nor the corporate management team approved that the contract be procured as required by Contract Procedure Rules 10.10 and 19.3 as in force at the time.	Officers are acting without authority where they break requirements of the council's constitution and fail to involve senior managers or elected councillors in major decisions.	Managers now ensure appropriate authority is obtained before seeking tenders as set out in financial and contract rule 10.3.	Implemented - Design and Procurement Manager – Neville Hannington
1.3	**	There is no signed acceptance of Thomas Vale's tender by an Executive Director acting as cabinet's delegate. This fails to comply with requirements of contract procedure rule 25.4 as in force at that time.	It is not possible to demonstrate that senior managers approved the findings of the quantity surveyor's assessment of tenders.	Managers now obtain signed acceptance of one or more tenders as required by financial and contract rule 13.9 as now in force.	Implemented - Design and Procurement Manager – Neville Hannington

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2. Contract Documents

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The contractor provided evidence of his insurance.
- A surety was provided in the form of a bond.
- CDM arrangements were appropriate.
- The contractor completed equalities and health and safety forms and agreed that the contract could be revoked in case of corruption.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	**	Managers failed to demonstrate that the contractor's insurance remained in place throughout the time the building was under construction.	Should a contractor fail to renew insurance policies, the council would be at serious risk should an accident or loss occur.	Managers now maintain a copy of contractor's insurance policies throughout the period construction is taking place.	Implemented - Design and Procurement Manager – Neville Hannington
2.2	***	A contract with the constructor has not been executed under the council's seal. This is contrary to requirements of Contract Procedure Rule 29.3 then in force.	The council's capital could have been at risk had the contractor ceased trading or abandoned the works prior to completion.	Managers now ensure contracts are executed as soon as possible after the contractor's appointment as set out in financial and contract rule 14.3.	Implemented - Design and Procurement Manager – Neville Hannington

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.3	*	There was no evidence to show that the contract had been entered into an appropriate register.	Managers may be unable to demonstrate that all contracts are being properly monitored and supervised.	Managers now update a contract register within their directorate showing all current contracts.	Implemented - Design and Procurement Manager – Neville Hannington

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3. Performance

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A pre-start meeting set out arrangements for the works.
- Regular site meetings took place and controlled the project's progress.
- Architect's written instructions were used to vary the works.
- Additional time requested by the contractor to complete the works was certified.
- The architect certified practical completion and making good of defects.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	**	A large number of instructions were written by the architect after the contract had achieved practical completion. These covered the client's additional and changed requirements.	Increased costs are likely where additional items are instructed while works are taking place or where they have been certified as complete.	Managers now complete design work before seeking tenders so that architect's instructions are only required to deal with problems encountered on site.	Implemented - Design and Procurement Manager – Neville Hannington

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4. Final Account

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The quantity surveyor provided a final account for the project.
- Payments to the contractor were controlled by certificate.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.1	**	The final account was not produced until June 2009, some eight months after the making good was certified and is yet to be agreed by the council.	Officers are unable to demonstrate that they have examined the contractor's account or that best value has been received for this project.	Managers now agree with the architect the valuation of his first instruction. The chief internal auditor should then be asked to agree payment outstanding monies to the contractor	Implemented - Design and Procurement Manager – Neville Hannington
4.2	***	The auditor received the final account in November 2009, some five months after it had been agreed between the quantity surveyor and contractor.	The final payment to the contractor may be overdue and the council could be charged interest on this.	Managers now ensure contractors' final accounts are received and processed promptly to ensure the final payment is made at the appropriate time.	Implemented - Design and Procurement Manager – Neville Hannington

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.3	**	There has been no report on the project's outcome to the Executive or Assistant Director responsible.	Managers fail to celebrate the project's success with the Executive or Assistant Director or to enable lessons to be learned for future projects.	Reports are now made to the Executive or Assistant Director responsible for the project, showing its success and highlighting any lessons to be learned for future projects.	Implemented - Design and Procurement Manager – Neville Hannington

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EXECUTIVE SUMMARY

A Introduction

1. An audit review of the contractor's final account for Aldridge Airport Outdoor Activity Centre was undertaken during January 2010 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:
 - i. The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project,
2. The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:
 - Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
 - All appropriate documentation has been obtained from the contractor and a suitable contract created,
 - The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
 - All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.
3. The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (**), medium (*) or low (*).
4. Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
5. Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
6. The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.

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7. All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B Overall Audit Opinion

- 1 Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for Aldridge Airport Outdoor Activity Centre as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
➔	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

- 2 A number of good practices were noted during the audit, including;
- Consultants were appointed following submission of competitive quotations.
 - Firms invited to tender were chosen from the council's unified standing list.
 - Tenders were received by the council's monitoring officer and opened by the appropriate portfolio holder.
 - Tenders were assessed by the quantity surveyor and a report created.
 - The cabinet resolved to accept a tender.
 - A letter of appointment was sent to the contractor.

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- The contractor provided evidence of his insurance.
- A bond was provided as a surety.
- CDM documentation was completed.
- An extension of time was certified following the contractor's written application.
- The contract administrator certified that works achieved practical completion.
- A final account was created by the quantity surveyor.
- Certificates were used to pay the contractor.

3 A number of areas for improvement were identified;

- There is no evidence of a cabinet approval for tenders to be sought.
- No capital finance report has been provided.
- The contractor's equalities documentation has not been provided.
- There is no health and safety statement from the contractor.
- No certificate enabling the council to revoke the contract in case of fraud or corruption has been provided.
- There is no formal contract.
- There is no proper record of site meetings.
- Only two architect's instructions have been found, neither of which is priced.
- Making good of defects has not been certified.
- The contractor's final account was received some fifteen months after the project achieved practical completion.
- The final account was provided to the chief internal auditor over eight months after its receipt by the council.
- The project's final out-turn has exceeded the contract sum by £152,994.03 or 18.47%, but this appears not to have been reported to any senior manager.

4 There are five high priority actions, as follows:

Section	Action Plan Ref.	Agreed Action
Contract Documents	2.4	Managers now ensure an appropriate contract is made as soon as possible after a contractor's appointment.

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Section	Action Plan Ref.	Agreed Action
Performance	3.1	Managers now ensure appropriate systems are maintained to ensure the day-to-day control and supervision of every contract as required by financial and contract rule 15.1(a) and (b), especially where agency or unqualified staff are put in authority.
	3.2	Contract administrators have been reminded to create and price all variations to contracts as required by financial and contract rule 15.2.2.
Final Account	4.2	Managers now obtain the final account for a contract at the appropriate time so as to ensure prompt payment to the contractor.
	4.3	Managers now include details of overspends in reports on contracts' progress and out-turn as required by financial and contract rule 15.5.2.

C Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Selection of Contractors and Consultants		✓		
Contract Documents				✓
Performance				✓
Final Account			✓	

D Acknowledgements

- 1 The auditor has relied upon computations in the quantity surveyor's final account. No other documentation is available to prove the values provided.
- 2 This project has been managed by a number of officers. All those responsible for procurement and monitoring of the works have now left the council's employment.
- 3 The managers responsible for monitoring and reporting upon the project's progress no longer work for the council. Systems which failed on this occasion to control this project are known to have been superseded by a more suitable set of controls.

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- 4 There is no evidence that any corrupt or fraudulent conduct took place during this contract. There is little evidence of its being managed or monitored in an appropriate manner.
- 5 Please thank your officer for her help and co-operation during the examination of the account, particularly for making records, and certificates available.

E Significant Events

Activity	Date
Pre Procurement Report to Cabinet	None
Capital Finance Report	None
Appointment of Lead Consultant	24 January 2005
Invitation to Tender	5 April 2005
Receipt of Tenders	5 May 2005
Tender Evaluation Report	7 June 2005
Tender Acceptance	15 June 2005
Letter of Appointment	11 August 2005
Pre-Contract Meeting	No proper minute
Sealed / Signed Contract	None
Works Commenced	1 September 2005
Practical Completion Required by	3 April 2006
Practical Completion Achieved	26 July 2006 and 22 November 2007
Last Instruction to Contractor	22 December 2006
Making Good Defects certified	None
Final Account	9 March 2009
Completed Final Account to Audit	14 December 2009

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1. Selection of Contractors and Consultants

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- Consultants were appointed following submission of competitive quotations.
- Firms invited to tender were chosen from the council's unified standing list.
- Tenders were received by the council's monitoring officer and opened by the appropriate portfolio holder.
- Tenders were assessed by the quantity surveyor and a report created.
- The cabinet resolved to accept a tender.
- A letter of appointment was sent to the chosen contractor.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	**	There is no evidence of a cabinet approval for tenders to be sought as required in Contract Procedure Rule 19.3 then in force.	Managers may have acted beyond the limit of their authority and elected representatives may have remained unaware of the procurement.	Officers now obtain an appropriate cabinet resolution prior to procurement as set out in financial and contract rules.	Implemented - Design and Procurement Manager – Neville Hannington

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ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.2	**	Although a grant approval has been provided, the auditor has not been shown a capital finance report for the project as required by Contract Procedure Rule 7 in force at the time.	The council's use and control of capital resources is put at risk where major expenditure is not subject to appropriate report and recording.	Managers now obtain capital finance reports as required by the current financial and contract rule 3.5.3(b)	Implemented - Design and Procurement Manager – Neville Hannington

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2. Contract Documents

AUDIT OPINION

No assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The contractor provided evidence of his insurance.
- A bond was provided as a surety.
- CDM documentation was completed.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	**	The contractor's equalities documentation has not been provided as required by Contract Procedure Rule 30.6 as then in force	The council cannot be assured that its contractor follows good equalities practices.	Managers now obtain a completed equalities questionnaire prior to making a contract as required by financial and contract rule 14.4.1(e)	Implemented - Design and Procurement Manager – Neville Hannington
2.2	**	There is no evidence of the contractor completing a health and safety statement as required by Financial and Contract Rule 30.2 as in force at that time.	The council cannot be assured that its contractor follows appropriate health and safety practices.	Managers now obtain a copy of the contractor's health and safety policy prior to making a contract as required by financial and contract rule 14.4.1(d)	Implemented - Design and Procurement Manager – Neville Hannington

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.3	**	There is no certificate enabling the council to revoke the contract in case of fraud or corruption. This requirement is found in both Contract Procedure Rule 30.5 and financial and contract rule 14.4.1(f)	The council may be unable to revoke the contract in the case of either fraud or corruption.	Managers now require contractors to agree to the council holding the right to revoke any contract in the case of either fraud or corruption.	Implemented - Design and Procurement Manager – Neville Hannington
2.4	***	There is no formal contract. This is contrary to requirements of Contract Procedure Rule 29.2 and financial and contract rule 14.3.1.	The council's assets may not be protected should the contractor default or attempt to alter some or all of the terms under which works are provided.	Managers now ensure an appropriate contract is made as soon as possible after a contractor's appointment.	Implemented - Design and Procurement Manager – Neville Hannington

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3. Performance

AUDIT OPINION

No assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- An extension of time was certified following the contractor's written application.
- The contract administrator certified the works' practical completion.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	***	There is no proper record of site meetings or any other evidence to suggest the contract administrator controlled the works' progress.	The council cannot demonstrate its officers have controlled the works or monitored their progress.	Managers now ensure appropriate systems are maintained to ensure the day-to-day control and supervision of every contract as required by financial and contract rule 15.1(a) and (b), especially where agency or unqualified staff are put in authority.	Implemented - Design and Procurement Manager – Neville Hannington

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.2	***	Only two architect's instructions have been found. The auditor was informed that variations were arranged verbally and the quantity surveyor then measured and valued them. This is contrary to Contract Procedure Rule 32.1 as then in force.	Where the contract administrator fails to provide priced instructions it is difficult to show that the cost of changes to the contract has been controlled.	Contract administrators have been reminded to create and price all variations to contracts as required by financial and contract rule 15.2.2.	Implemented - Design and Procurement Manager – Neville Hannington
3.3	**	Two certificates of practical completion have been issued, but the making good of works has not been certified.	Managers cannot demonstrate that contractors have completed all duties under the contract unless making good of defects is certified.	Contract administrators now ensure making good of defects is certified on all projects as required by contract documents and by financial and contract rule 15.2.1(d).	Implemented - Design and Procurement Manager – Neville Hannington

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4. Final Account

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A final account for the project was produced and agreed.
- Certificates show appropriate payments to the contractor.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.1	**	The quantity surveyor produced the final account some fifteen months after the second certificate of practical completion was certified.	The council may be in breach of the contract where it fails to obtain a timely final account.	Quantity surveyors have been reminded of the need to produce timely final accounts as required by the contract.	Implemented - Design and Procurement Manager – Neville Hannington
4.2	***	The contractor's final account was provided to the chief internal auditor in December 2009; over eight months after the council had received it.	Contractors may not receive payments at the times due where the final account's production and agreement are delayed. This may leave the council liable to pay interest on the value of the delayed payment.	Managers now obtain the final account for a contract at the appropriate time so as to ensure prompt payment to the contractor.	Implemented - Design and Procurement Manager – Neville Hannington

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.3	***	The project's final out-turn has exceeded the contract sum by £152,994.03 or 18.47%. There is no evidence to show this increase has been reported to the council's senior managers.	Where the council cannot explain reasons for overspending, reasons for a project's overspending may be unclear.	Managers now include details of overspends in reports on contracts' progress and out-turn as required by financial and contract rule 15.5.2.	Implemented - Service Manager Procurement and Systems – Neville Hannington

Walsall Council
Internal Audit Service

**Final Account for
St James and Ogley Hay Children's Centre**

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EXECUTIVE SUMMARY

A Introduction

- 1 An audit review of the contractor's final account for the St James and Ogley Hay Children's Centre was undertaken during January 2010 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project,

- 2 The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:
 - Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
 - All appropriate documentation has been obtained from the contractor and a suitable contract created,
 - The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
 - All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.
- 3 The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (***) , medium (**) or low (*).
- 4 Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
- 5 Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
- 6 The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.

- 7 All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B Overall Audit Opinion

- 1 Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the St James and Ogley Hay Children's Centre as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
➔	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

- 2 A number of good practices were noted during the audit, including;
- A quantity surveyor was appointed following receipt of competitive quotations.
 - Officers selected firms to tender for the main works from the council's unified standing list of contractors and consultants.
 - The monitoring officer received tenders, which were subsequently opened by the appropriate portfolio holder.
 - The quantity surveyor assessed tenders and provided a written report
 - The chosen contractor received and acknowledged a letter of appointment.
 - Insurance documents were received and covered the whole of the period during which the works took place.

- Construction design and management documentation (CDM Form 10) was produced and submitted.
- The contract administrator chaired regular site meetings and monitored the project's progress.
- Contract administrator's instructions were written and delivered to the contractor during the works' construction.
- An extension of time was sought from and granted by the contract administrator.
- Practical completion and making good of defects were certified.
- A final account has been produced and includes the contractor's agreement.
- Certificates control all payments made to the contractor.
- Both an end of project report and a lessons learned report were produced.

3 A number of areas for improvement were identified;

- There was no director's authority to procure the works.
- Proposed expenditure was not identified in a capital finance report.
- Acceptance of a tender is not recorded.
- The contractor does not appear to have provided a surety.
- There is no record of the contractor's equalities or health and safety certificates.
- The contractor's agreement allowing the council to revoke the contract in case of fraud or corruption has not been found.
- The contract document has been signed by the contractor but not by the council.
- The contract administrator's instructions have not been priced.
- An instruction to add to the works was written in June 2009, over a year after they achieved practical completion.
- A certificate for payment issued on 8 August 2009 remains unpaid.
- The contractor's final account was finally completed and agreed by the contractor on 21 January 2010.

4 There are four high priority actions, as follows:

Section	Action Plan Ref.	Agreed Action
Selection of Contractors and Consultants	1.3	Tenders are now formally accepted as required in financial and contract rules.
Contract Documents	2.1	Managers now put a surety in place before works valued in excess of £150,000 commence unless an Executive or Assistant Director has agreed this is not appropriate.
	2.5	Managers now ensure an appropriate contract is made and either signed or sealed as soon as possible after a contractor's appointment.
Final Account	4.1	Certificates are now paid within the time period set out in the contract.

C Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Selection of Contractors and Consultants			✓	
Contract Documents				✓
Performance		✓		
Final Account			✓	

D Acknowledgements

- 1 The auditor has relied upon computations in the quantity surveyor's final account. No other documentation is available to prove the values provided.
- 2 The managers responsible for monitoring and reporting upon the project's progress no longer work for the council. Systems which failed on this occasion to control this project are known to have been superseded by a more suitable set of controls.

St James and Ogley Hay Children's Centre
Audit Report 2009 / 2010

- 3 Please thank your officer for her help and co-operation during the auditor's examination of the account, particularly for making records, and certificates available.

St James and Ogley Hay Children's Centre
Audit Report 2009 / 2010

E Significant Events

Activity	Date
Director's Approval to Procure	None
Capital Finance Report	None
Appointment of Lead Consultant	25 August 2006
Invitation to Tender	25 June 2007
Receipt of Tenders	20 July 2007
Tender Evaluation Report	24 July 2007
Letter of Appointment	25 July 2007
Pre-Contract Meeting	25 July 2007
Sealed / Signed Contract	None
Works Commenced	6 August 2007
Practical Completion Required by	22 February 2008
Practical Completion Achieved	22 February 2008
Last Instruction to Contractor	12 June 2009
Making Good Defects certified	31 July 2009
Final Account	10 October 2008 Revised 21 January 2010
Completed Final Account to Audit	14 January 2010

1. Selection of Contractors and Consultants

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A quantity surveyor was appointed following receipt of competitive quotations.
- Officers selected firms to be invited to tender for the works from the council's unified standing list of contractors and consultants.
- The monitoring officer received tenders, which were then opened by the appropriate portfolio holder.
- The quantity surveyor provided a written assessment report
- The chosen contractor received and acknowledged a letter of appointment.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	**	There was no director's authority to procure the works as required by financial and contract rule 10.3.1(b).	Managers may have acted beyond the limit of their authority and left senior managers unaware of the procurement.	Officers now obtain authority to procure as shown in financial and contract rules.	Implemented – Design and Procurement Manager – Neville Hannington
1.2	**	Proposed expenditure was not the subject of a capital finance report. This contravenes the requirements of financial and contract rule 10.3.2.	The council's use and control of capital resources is put at risk where major expenditure is not subject to appropriate report and recording.	Managers now obtain capital finance reports as required by financial and contract rule 3.5.3(b)	Implemented - Design and Procurement Manager – Neville Hannington

St James and Ogley Hay Children's Centre
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ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.3	***	Acceptance of a tender is not recorded as required by financial and contract rules 13.9.1(b).	Managers are not fully protected where their actions do not conform to requirements of the council's constitution.	Tenders are now formally accepted as required in financial and contract rules.	Implemented - Design and Procurement Manager – Neville Hannington

2. Contract Documents

AUDIT OPINION

No assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- Insurance documents were received and covered the whole of the period during which the works took place.
- Construction design and management documentation (CDM Form 10) was produced and submitted.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	***	There is no evidence that the contractor has provided a surety as required by financial and contract rule 13.4.1.	The council's capital would be at risk were a contractor to abandon the works or cease to trade.	Managers now put a surety in place before works valued in excess of £150,000 commence unless an Executive or Assistant Director has agreed this is not appropriate.	Implemented - Design and Procurement Manager – Neville Hannington
2.2	**	There is no record of the contractor's equalities certificate as required by financial and contract rule 14.4.1(e).	The council cannot be assured that its contractor follows good equalities practices.	Managers now obtain a completed equalities questionnaire prior to making a contract.	Implemented - Design and Procurement Manager – Neville Hannington

St James and Ogley Hay Children's Centre
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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.3	**	There is no evidence of the contractor providing copy of his health and safety policy as required by financial and contract rule 14.4.1(d).	The council cannot be assured that its contractor follows appropriate health and safety practices.	Managers now obtain a copy of the contractor's health and safety policy prior to making a contract.	Implemented - Design and Procurement Manager – Neville Hannington
2.4	**	The contractor has not provided an agreement that the council may revoke the contract as required in financial and contract rule 14.4.1(f).	The council may be unable to revoke the contract in the case of either fraud or corruption.	Managers now require contractors agree to the council's right to revoke any contract in the case of either fraud or corruption.	Implemented - Design and Procurement Manager – Neville Hannington
2.5	***	The contractor has signed a contract document but the Executive or Assistant Director did not sign it on the council's behalf. Financial and contract rule 14.3.1(b) requires both parties to sign this document.	The council's assets may not be protected should the contractor default or attempt to alter some or all of the terms under which works are provided.	Managers now ensure an appropriate contract is made and either signed or sealed as soon as possible after a contractor's appointment.	Implemented - Design and Procurement Manager – Neville Hannington

3. Performance

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The contract administrator chaired regular site meetings and monitored the project's progress.
- Architect's instructions were written and delivered to the contractor during the works' construction.
- An extension of time was sought from and granted by the contract administrator.
- Practical completion and making good of defects were certified

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	**	The contract administrator's instructions were not priced as required in financial and contract rule 15.2.2(d).	Unpriced instructions make it difficult to show that changes have been controlled.	Contract administrators have been reminded to create and price all instructions.	Implemented - Design and Procurement Manager – Neville Hannington
3.2	**	An instruction to add to the works was written in June 2009, over a year after they achieved practical completion.	Instructions may be used to acknowledge a contractor's actions rather than to control the project.	Managers now ensure instructions represent requests to the contractor and are produced in a timely manner..	Implemented - Design and Procurement Manager – Neville Hannington

4. Final Account

AUDIT OPINION

Limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A final account has been produced for this project and includes the contractor's agreement.
- Both an end of project report and a lessons learned report were produced.
- Certificates control all payments made to the contractor.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.1	***	A certificate for payment issued on 8 August 2009 remains unpaid.	The council may be charged interest where payment is delayed.	Certificates now be paid within the time period set out in the contract.	Implemented - Design and Procurement Manager – Neville Hannington
4.2	**	The contractor's final account is dated 21 January 2010, almost two years after works achieved practical completion.	The project's cost remains open to question and the project itself remains unfinished.	Managers now obtain the final account for a contract at the appropriate time so as to ensure the project's prompt closure.	Implemented - Design and Procurement Manager – Neville Hannington

Walsall Council
Internal Audit Service

Final Account for Beacon Children's Centre

Audit Report 2009 / 2010

October 2010

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EXECUTIVE SUMMARY

A Introduction

- 1 An audit review of the contractor's final account for the Beacon Children's Centre was undertaken during February 2010 as part of the annual audit plan. The examination was performed in accordance with the requirements of the council's financial and contract rule 15.3 (b) which requires:

The contractor's final account shall be made available to the Chief Internal Auditor wherever the contract's value is £150,000 or more along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project,

- 2 The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, to assess the implementation of previously agreed actions and to seek assurance that:
 - Contractors and consultants have been chosen and appointed in accordance with the council's requirements for a contract of this value,
 - All appropriate documentation has been obtained from the contractor and a suitable contract created,
 - The works have been controlled in accordance with contract's requirements and the council's financial and contract rules, and
 - All charges by and payments pertaining to the works are shown in the contractor's accurate and timely final account.
- 3 The scope of the audit is as set out on the contents' page. An overall opinion, points of good practice and an improvement action plan for each of the areas audited are attached. Actions for improvement, in general, are prioritised as high (***) , medium (**) or low (*).
- 4 Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
- 5 Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.
- 6 The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from executive and assistant directors failing to ensure that appropriate action is taken.

- 7 All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B Overall Audit Opinion

- 1 Internal audit is able to give a limited assurance opinion on the system of internal control operating within the contractor's final account for the Beacon Children's Centre as described below:

Overall Audit Opinion		
	Full assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
➔	Limited assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.

- 2 A number of good practices were noted during the audit, including;
- A quantity surveyor was appointed following receipt of competitive quotations.
 - Officers selected firms to tender for the main works from the council's unified standing list of contractors and consultants.
 - The monitoring officer received tenders, which were subsequently opened by the appropriate portfolio holder.
 - The quantity surveyor assessed tenders and provided a written report
 - The chosen contractor received and acknowledged a letter of appointment.

- Insurance documents were received and covered the whole of the period during which the works took place.
- Equalities and health and safety documentation was provided.
- The contractor agreed the contract could be revoked in case of fraud or corruption.
- Construction design and management documentation (CDM Form 10) was produced and submitted.
- The contract administrator chaired regular site meetings and monitored the project's progress.
- Priced contract administrator's instructions were written and delivered to the contractor during the works' construction.
- An extension of time was certified by the contract administrator.
- Practical completion and making good of defects were certified.
- A final account has been produced for this project and includes the contractor's agreement.
- Certificates control payments made to the contractor.
- Both an end of project report and a lessons learned report were produced.

3 A number of areas for improvement were identified;

- There was no director's authority to procure the works.
- A form showing acceptance of the contractor's tender, by both the head of service and an assistant director, is undated.
- There is no evidence that the contractor has provided a surety.
- No signed contract could be found to cover these works.
- Thirteen of the seventeen architect's instructions were dated after the works had achieved practical completion.
- There is no record of the contractor applying for an extension of time, the architect's certification of which is undated.
- The contractor agreed the final account in January 2010, despite the works achieving practical completion in March 2008. The architect's final valuation, issued on 27 March 2008, remains unpaid.
- The council overpaid the contractor by more than £46,000 owing to an error in a payment certificate. The contractor subsequently repaid this sum.
- The "Lessons Learned Report" and "End Project Report" appear incomplete and make no mention of this project's successes and difficulties.

4 There are four high priority actions, as follows:

Section	Action Plan Ref.	Agreed Action
Contract Documents	2.1	Managers now put a surety in place before works valued in excess of £150,000 commence unless an Executive or Assistant Director has agreed this is not appropriate.
	2.2	Managers now ensure an appropriate contract is made and either signed or sealed as soon as possible after a contractor's appointment.
Final Account	4.1	Managers now ensure contractors' final accounts are completed and certificates paid within the time period set out in the contract.
	4.2	Managers now check payment certificates and compare them with certificates previously issued to ensure contractors receive only the money due to them.

C Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
Selection of Contractors and Consultants		✓		
Contract Documents			✓	
Performance		✓		
Final Account				✓

D Acknowledgements

- 1 The auditor has relied upon computations in the quantity surveyor's final account. No other documentation is available to prove the values provided.
- 2 The managers responsible for monitoring and reporting upon the project's progress no longer work for the council. Systems which failed on this occasion to control this project are known to have been superseded by a more suitable set of controls.

- 3** Please thank your officer for her help and co-operation during the auditor's examination of the account, particularly for making records, and certificates available.

E Significant Events

Activity	Date
Capital Finance Report	8 May 2007
Appointment of Lead Consultant	25 August 2006
Invitation to Tender	19 September 2007
Receipt of Tenders	13 August 2007
Tender Evaluation Report	24 August 2007
Letter of Appointment	26 September 2007
Pre-Contract Meeting	28 September 2007
Sealed / Signed Contract	NONE
Works Commenced	22 October 2007
Practical Completion Required by	25 January 2008
Practical Completion Achieved	7 March 2008
Last Instruction to Contractor	April 2008
Making Good Defects Achieved	4 September 2009
Making Good Defects Certified	30 September 2009
Final Account Issue Date	April 2008
Final Account Agreed with Contractor	28 January 2010
Completed Final Account to Audit	1 February 2010

Beacon Children's Centre
AUDIT OPINION AND ACTION PLAN

1. Selection of Contractors and Consultants

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A quantity surveyor was appointed following receipt of competitive quotations.
- Officers selected firms to tender for the main works from the council's unified standing list of contractors and consultants.
- The monitoring officer received tenders, which were subsequently opened by the appropriate portfolio holder.
- The quantity surveyor assessed tenders and provided a written report
- The chosen contractor received and acknowledged a letter of appointment.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	**	There was no director's authority to procure the works as required by financial and contract rule 10.3.1(b).	Managers may have acted beyond the limit of their authority and left senior managers unaware of the procurement.	Officers now obtain authority to procure as shown in financial and contract rules.	Implemented - Service Manager Procurement and Systems – Neville Hannington

Beacon Children's Centre
AUDIT OPINION AND ACTION PLAN

ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.2	*	A form showing acceptance of the contractor's tender, by both the head of service and an assistant director, is undated.	Managers cannot prove the council's formal acceptance of the tender took place prior to his commencing work.	Managers now include the date when signing forms of acceptance.	Implemented - Service Manager Procurement and Systems – Neville Hannington

Beacon Children's Centre
AUDIT OPINION AND ACTION PLAN

2. Contract Documents

AUDIT OPINION

Only limited assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- Insurance documents were received and covered the whole of the period during which the works took place.
- Equalities and health and safety documentation was provided.
- The contractor agreed the contract could be revoked in case of fraud or corruption.
- Construction design and management documentation (CDM Form 10) was produced and submitted

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	***	There is no evidence that the contractor has provided a surety as required by financial and contract rule 13.4.1.	The council's capital would be at risk were a contractor to abandon the works or cease to trade.	Managers now put a surety in place before works valued in excess of £150,000 commence unless an Executive or Assistant Director has agreed this is not appropriate.	Implemented - Service Manager Procurement and Systems – Neville Hannington

Beacon Children's Centre
AUDIT OPINION AND ACTION PLAN

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.2	***	No signed contract could be found to cover these works. Financial and contract rule 14.3.1(b) requires both parties to sign this document.	The council's assets may not be protected should the contractor default or attempt to alter some or all of the terms under which works are provided.	Managers now ensure an appropriate contract is made and either signed or sealed as soon as possible after a contractor's appointment.	Implemented - Service Manager Procurement and Systems – Neville Hannington

Beacon Children's Centre
AUDIT OPINION AND ACTION PLAN

3. Performance

AUDIT OPINION

Significant assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- The contract administrator chaired regular site meetings and monitored the project's progress.
- An extension of time was certified by the contract administrator.
- Priced contract administrator's instructions were written and delivered to the contractor during the works' construction.
- Practical completion and making good of defects were certified.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.1	**	Thirteen of the seventeen architect's instructions were dated after the works had achieved practical completion.	Instructions may be used to acknowledge a contractor's actions rather than to control the project.	Managers now ensure instructions represent requests to the contractor and are produced in a timely manner..	Implemented - Service Manager Procurement and Systems – Neville Hannington

Beacon Children's Centre
AUDIT OPINION AND ACTION PLAN

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.2	**	There is no record of the contractor applying for an extension of time, the architect's certification of which is undated.	Failure to account fully for extensions of time leave managers' actions and control of the project open to question.	Managers now ensure all extensions of time are fully documented and that certificates bear appropriate dates.	Implemented - Service Manager Procurement and Systems – Neville Hannington

Beacon Children's Centre
AUDIT OPINION AND ACTION PLAN

4. Final Account

AUDIT OPINION

No assurance can be given that controls are in place to meet objectives in this area.

Good practice includes:

- A final account has been produced for this project and includes the contractor's agreement.
- Both an end of project report and a lessons learned report were produced.
- Certificates control payments made to the contractor.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.1	***	The contractor agreed the final account in January 2010, despite the works achieving practical completion in March 2008. The architect's final valuation, issued on 27 March 2008, remains unpaid.	The council risks being charged interest where payment to a contractor is delayed.	Managers now ensure contractors' final accounts are completed and certificates paid within the time period set out in the contract.	Implemented - Service Manager Procurement and Systems – Neville Hannington

Beacon Children's Centre
AUDIT OPINION AND ACTION PLAN

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
4.2	***	The council overpaid the contractor by more than £46,000 owing to an error in a payment certificate. The contractor subsequently repaid this sum.	This overpayment put the council's funds at serious risk.	Managers now check payment certificates and compare them with certificates previously issued to ensure contractors receive only the money due to them.	Implemented - Service Manager Procurement and Systems – Neville Hannington
4.3	**	The "Lessons Learned Report" and "End Project Report" appear incomplete and make no mention of this project's successes and difficulties.	Future projects fail to benefit from lessons learned where these are not fully understood and communicated.	Managers now ensure end of project reports highlight both successful and unsuccessful aspects of projects in order to benefit future works.	Implemented - Service Manager Procurement and Systems – Neville Hannington