

Audit Committee – 3 September 2012

Annual Report of the Head of Internal Audit on the Overall Adequacies of the Internal Control Environment

Summary of the Report

Based solely on the work undertaken by internal audit and its contracted partner organization in 2011/12, a significant level of assurance can be provided in relation to the overall adequacy and effectiveness of Walsall Council's control environment.

This opinion is given on the basis of positive action taken or agreed to be taken by managers to address identified control weaknesses detailed within audit report action plans.

Recommendation

- 1. To note the contents of the report.**



James Walsh
Chief Finance Officer
15 August 2012

Resource and legal considerations

The Accounts & Audit Regulations 2011 require councils to 'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'. The CIPFA Code of Practice 2006, which sets out the proper practice for internal audit, requires the head of internal audit to provide an annual report to those charged with governance (this role is discharged by the Audit Committee at Walsall Council), including an opinion on the overall adequacy and effectiveness of the organization's control environment.

Governance Issues

Responsibilities

It is a management responsibility to develop and maintain the internal control environment. Internal audit's role is to form an independent and objective opinion on the overall adequacy and effectiveness of the internal control environment (system of internal control).

Control Environment

The CIPFA Code of Practice 2006 states that the control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organization's objectives;
- the facilitation of policy and decision making ensuring compliance with established policies, procedures, laws and regulations;
- ensuring the economic, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised;
- the financial management of the organization and the reporting of financial management; and
- the performance management of the organization and the reporting of performance management.

Citizen impact

This report reinforces the protection to the council and its officers in respect of the robustness of the internal control framework, and is an integral part of the assurance provided to charge payers on the security of the council's activities and operations.

Performance Management and Risk Management Issues

The activities of the Audit Committee are an integral part of the council's performance management and corporate governance framework. It can challenge, review and advise on service delivery, council activity and policy with the aim of improving results. The internal audit strategic plan is risk assessed to ensure those areas most at risk are examined as a priority. Six monthly performance reports dealing with internal audit performance and achievements during 2011/12 have been provided to the Audit Committee and a final report for the year was considered at the 12 June 2012 meeting of the Committee.

Equality Implications

None arising from this report.

Consultation

The Chief Finance Officer's signature on this report demonstrates that it has been endorsed by the council's statutory chief finance officer.

Background papers

Internal audit reports/files/working papers.

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Head of Internal Audit's Opinion on the Council's Internal Control Environment

Summary of Opinion

In my opinion, formed solely on the basis of the work undertaken by internal audit and its partner organization in 2011/12, and the positive action taken or intended to be taken by managers to implement agreed audit report actions, Walsall Council's overall system of internal control facilitates the effective provision of the council's functions and provides a significant level of assurance regarding the effective, efficient and economic exercise of the council's functions.

Control weaknesses were identified during the 2011/12 financial year and were reported as such to relevant managers. The opinion as to the level of assurance that can be placed on the system of internal control is based on an assurance that accountable managers address findings within the agreed audit report action plans in the areas for which they are responsible.

The system of internal control can only provide reasonable and not absolute assurance regarding the achievement of the council's policies, aims and objectives. The opinion is based on work in the approved operational audit plan, including irregularity, consultancy and advisory work carried out in 2011/12.

All audit work is subject to agreed terms of reference, objectives and resources allocated by the council for that purpose.

External Audit Review of Internal Audit

In Grant Thornton's interim report dated June 2012, they concluded that 'the internal audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from its work in contributing to an effective internal control environment at the Council'.

Basis of Audit Opinion

The council's financial rules 2012 require the maintenance of an internal audit service, which complies with the requirements of section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2011. It shall provide an independent and objective assurance function for reviewing the system of internal control; and shall examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Many discrete elements of audit work form a contribution to the opinion. These include planned cyclical audit work, following up of audit reports receiving a limited or no assurance opinion, irregularity and consultancy work and also general professional advice where no formal report may have been issued but which contribute to the overall opinion.

Audit activity is planned on a risk-based, systematic approach which incorporates the results of consultation with executive directors, assistant directors and senior managers. The council's statutory Section 151 Officer (assistant director – finance), corporate management team (CMT) and the Audit Committee endorse the strategic audit plan.

There were no constraints placed on the scope of internal audit work in the year.

For each area of planned audit activity, an overall audit opinion is reported with the range of assurance opinions being given. The levels of assurance rating are described as follows:

Overall Audit Opinion	
Full Assurance	Full assurance that the system of internal control is designed to meet the organization'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 organization'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 organization'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 organization's objectives in the areas reviewed.

The Internal Control Environment

Appendix A details the overall audit rating for each planned audit undertaken during 2011/12.

During 2011/12, 100 specific audit reviews were undertaken, excluding unplanned irregularity, consultancy and follow up work. Of these:

- 1 reviews (1%) received a full assurance opinion;
- 91 reviews (91%) received a significant assurance opinion, 9 of these were borderline;
- 8 reviews (8%) received a limited assurance opinion; and
- No reviews received a no assurance opinion.

Overall, 92 reviews (92%) were given significant assurance or above.

Fundamental financial systems

The assurance opinions given to the fundamental financial systems are detailed in the table below:

Financial System	Assurance Opinion
Accounts Payable (Creditors)	Significant (Borderline)
Accounts Receivable (Debtors)	Significant
Bank Account Reconciliations	Significant
Budget Management	Significant
Capital Accounting	Significant
Capital Programme / Project Management	Significant (Borderline)
Cash & Bank (Banking Hall & Income Management System)	Significant

Financial System	Assurance Opinion
Council Tax / National Non Domestic Rates (NNDR)	Significant
Housing & Council Tax Benefits	Significant
Nominal Ledger / Central Accounting	Significant
Payroll	Significant (Borderline)
Treasury Management	Significant

All were found to be operating satisfactorily, receiving a significant assurance opinion. For the accounts payable (creditors), capital programme / project management and payroll reviews, while these received a significant assurance opinion, this was border line, for the reasons set out below:

The accounts payable (creditors) summary audit opinion states:

‘Generally, the design and management of work in operation within accounts payable is sufficient and effective, although some improvement is required. This is partly due to the introduction of Finance Direct which has been implemented across the council since the previous audit and is still being embedded and also an increase in the uptake of purchase cards. In particular improvements are required for policies & procedures, system security, officer authorisations, invoice goods receipting, payment of invoices and credit notes, delegated bank accounts, purchase cards and data protection.

Some good practices were noted during the audit, including; robust processes and controls in place for the operation of BACS controls, reconciliations to the general ledger and system interfaces’.

The capital programme / project management summary audit opinion states:

‘Generally, the design (sufficiency of controls) of work in operation within capital programme & project management is sufficient. Management attention is, however, required in the management of work (effectiveness of controls), most notably, in ensuring that effective project management is in place and that inconsistent working practices and controls within start up & initiation, monitoring & reporting and project closure stages of capital programming & project management are addressed. Without management attention in these areas, the risk of project failure, over spends and non-achievement of benefits (efficiencies, savings and customer satisfaction) remains a threat to the capital programme & project management operations.

Some good practices were noted during the audit, including; robust processes and controls in place for the approval of the capital programme, contingency and slippage’.

The payroll summary audit opinion states:

‘Generally, the design of work within the payroll service is both sufficient and effective. However with regard to management of work there continues to be significant areas for improvement in ensuring controls and processes are fully effective particularly in the processing of new starters, variations to pay and leavers. It was disappointing to note that there are a number of prior audit findings which remain unaddressed at the time of this audit.

Areas of good practice noted include; the continuous development and improvement of HRD direct including the sickness absence reporting centre; and a segregation of duties across individual teams such as the HR payroll & training support team and transactional recruitment team’.

Other Financial & Non Financial Systems

In addition to fundamental financial systems, audits were undertaken in 2011/12 of other financial and non financial systems and processes that contribute to the council’s overall corporate governance arrangements.

Internal audit’s work identified that although in most audit assignments the processes examined were generally working satisfactorily, system weaknesses were identified in certain areas as shown in those given a limited assurance opinion. No audit reviews were given a no assurance opinion in 2011/12.

The table below details the 8 reviews where a limited assurance opinion was given:

Directorate	Audit
Children’s Services	Children’s Centres
	Children’s Fund (Exit Arrangements)
	Kings Hill JMI (School)
	Millfield JMI (School)
	Rough Hay (School)
Neighbourhood Services	Coroner
	Skip Permit Income
Resources	Pay & Grading

A summary of the audit opinions for these reviews is given at **Appendix B**. Of these reviews, most significant to this report and the Annual Governance Statement is pay & grading. The pay & grading summary audit opinion states:

‘Single Status, referred to as Pay and Grading at Walsall, has to be implemented by all councils as part of a national agreement agreed by the Local Government Employers (LGE) and UNISON, Unite, and GMB in 1997. The rationale behind the agreement was to ensure that there is clear equality in the way all council employees are paid. Implementing single status is mandatory.

Generally, weaknesses have been identified in both the design (sufficiency of control) and management (effectiveness of controls) of work in operation within pay and grading, which require management attention to address. Most notably, controls require strengthening in relation to project management, ensuring that day to day procedures exist and have been appropriately communicated to relevant staff; that job evaluation and appeals procedures are strengthened with sufficient audit trail in place; that sufficient and timely management information is in place on which informed decision making can be made; that performance management arrangements are strengthened and that robust arrangements are in place for the mainstreaming of pay and grading’.

Audit reports given a no or limited assurance opinion are, when finalised, routinely reported to Audit Committee.

2011/12 Follow Ups

Audits given a no or limited assurance opinion are subject to a follow up audit. During 2011/12, which was the first full year of the new follow up process, of the 20 follow up audits undertaken, 14 (70%) had made significant progress in addressing previously identified control weaknesses and 6 (30%) had made limited progress (**Appendix C**). The 6 limited progress follow ups are detailed in the table below.

Directorate	Audit
Neighbourhood Services	New Art Gallery
Social Care & Inclusion	Community Alarm Service
	Community Mental Health Integrated Team
	Direct Payments, Personal & Individual Budgets
	Homecare
	Activity in Relation to the Former Pinfold Centre

Follow up audits receiving a 'limited progress' opinion will be considered as part of the no and limited assurance item on this evening's agenda.

Advice and Consultancy

Professional advice and consultancy assistance was provided to managers during the year with details of this work being reported 6 monthly to the Audit Committee. The work has been varied and included attendance at meetings, or contribution to a number of initiatives. Examples have included, review of system change proposals such as cheque printing procedures, e-tendering and pay modeling following the implementation of pay & grading; review of human resources policies and procedures such as the employee code of conduct, disciplinary, secondment, email and internet usage; review of arrangements following receipt of new grant regimes and provision of audit training on request.

A database exists to record all enquiries to auditors. This has highlighted the type and extent of advice provided to managers. During the year ending 31 March 2012, 227 responses to requests for advice were provided.

Fraud and Irregularity

A total of 70 unplanned jobs, including suspected frauds and irregularities, were undertaken by the service during the year, 2 being notified through the whistle blowing procedure. A contingency exists within the annual audit plan for this type of work, including consultancy. A lower than anticipated level of time was spent on this work during the year; from 694 planned days to 625 actual days, a reduction of 69 days. A summary of the audit inquiry work undertaken is reported 6 monthly to the Audit Committee. While most cases were not material in the context of the Annual Governance Statement, the following case in particular, has given significant cause for concern this year:

- Anonymous allegations were received concerning recruitment and selection; procurement; and pay and grading (officer re-grade) practices within human resources. The investigation report, which identified significant control weaknesses within these practices, together with the agreed action plan, was

reported to Audit Committee on 23 July 2012, where members received assurance that action was being taken to address the concerns identified. A follow up audit will be undertaken and reported to a subsequent meeting of the Audit Committee.

In addition to the above, other cases which have given concern in 2011/12 are as follows:

- Weaknesses in grant funding arrangements within the Walsall Arboretum restoration programme;
- Whistle blowing allegations received in respect of procurement practices within social care and inclusion; and
- Anonymous allegations received concerning financial mismanagement within a Children's Centre.

All of the above cases, have or are being investigated by the section, controls have been subject to review and action taken as appropriate.

A brief summary of a number of other cases is shown below:

Misuse of funds/resources

Several cases were reported for investigation alleging misuse of resources, cash and council equipment. All reported cases were investigated, referred to the police and disciplinary action taken as appropriate.

Dual employment

Instances were identified of employees potentially working duplicate hours for both the Council and other organizations. These cases were investigated and disciplinary action taken as appropriate.

Cheque fraud attempts

A number of cases of fraudulent cheque attempts have been investigated by internal audit. All reported cases were investigated, referred to the police as necessary and controls strengthened where required.

Procurement

Cases have been referred for investigation regarding potential procurement irregularities, including potential non compliance with the council's contract rules. Where necessary, actions have been agreed with appropriate managers to strengthen procurement arrangements in place.

Grant governance arrangements

Cases have been referred for investigation of potential inadequate governance and control arrangements within various grant regimes. All allegations have been fully investigated and actions agreed with appropriate managers to strengthen governance and control arrangements in place.

Data security breaches

Allegations regarding data security breaches have been investigated by the section. Where required, actions have been agreed with relevant managers and shared with the Information Commissioner, to further strengthen arrangements in place.

Internet / e mail systems' misuse / inappropriate computer content

Instances have been investigated where managers have reported concerns with employees allegedly making inappropriate use of the council's internet and e mail facilities; and downloading inappropriate material onto the council's equipment. All reported cases were investigated and appropriate action taken. The number of reported cases is much reduced in comparison to previous years.

Freedom of Information / Data Protection Act requests

Statistical information and responses in connection with surveillance work approved under the Regulation of Investigatory Powers Act (RIPA) 2000 were provided to enable responses to be made to several media requests for information.

Head of audit grant claim certification

Requests were received for the head of audit's certification of grant claims. These claims were audited and certification provided as necessary, together with action plans where appropriate to improve grant administration processes.

Other Assurance

As part of the CIPFA Code of Practice, opinions received from work undertaken by other assurance bodies should be included as a contribution to the head of internal audit's overall opinion. Most notably to this report and the Annual Governance Statement is the outcome of OFSTED's recent inspection of the Council's safeguarding and looked after children services.

OFSTED's report, which was published on 31 July 2012, concluded that safeguarding services and aspects of safeguarding outcomes for children and young people were inadequate. Services for looked after children were found to be adequate.

Action being taken to address the weaknesses identified by OFSTED's inspection will be reported to Audit Committee shortly by the executive director for children's services.

Performance

Internal audit completed the annual update of its self assessment in respect of the effectiveness of the internal audit function as against the CIPFA Code of Practice and submitted this for independent review. Compliance has been assessed as satisfactory overall.

The overall performance of internal audit in 2011/12 was reported to Audit Committee on 12 June 2012 and demonstrated a good level of performance against the service's performance measures. Internal audit achieved 99% of the audit plan in 2011/12.

Author

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AUDIT	REPORT STATUS	ASSURANCE OPINION
<u>ALL:</u>		
Accounts Payable (Creditors)	Draft Final	Significant (Borderline)
Accounts Receivable (Debtors)	Final	Significant
Budget Management	Draft Final	Significant
Capital Programme / Project Management	Draft Final	Significant (Borderline)
Grants	Final	Significant
Inventories / Stock - Disinfestation	Final	Significant (Borderline)
Inventories / Stock - Street Pride	Draft Final	Significant (Borderline)
Payroll	Final	Significant (Borderline)
Recruitment & Selection	Final	Significant
Walsall External Funding Network (Strategic Fundraising)	Final	Significant
Think Walsall	Final	Significant
Travel & Subsistence	Draft Final	Significant
Workforce Management	Final	Significant
<u>CHILDRENS SERVICES:</u>		
Children & Young People's Plan	Final	Significant
Childrens Fund (Exit Arrangements)	Final	Limited
Childrens Partnership	Final	Significant
Eldon (Residential Care)	Final	Significant
Out of Borough Placements	Final	Significant (Borderline)
Redruth Road (Residential Care)	Final	Significant
Childrens Centres	Final	Limited
<u>Schools:</u>		
Alumwell Infants	Final	Significant
Barcroft JMI	Final	Significant
Beacon JMI	Final	Significant
Bloxwich JMI	Final	Significant
Butts JMI	Final	Significant
Caldmore JMI	Final	Significant
Elmore Green JMI	Final	Significant
Green Rock JMI	Final	Significant
Greenfield JMI	Final	Significant
Holy Trinity Infants	Final	Significant
King Charles JMI	Draft	Significant
Kings Hill JMI	Draft	Limited
Leamore JMI	Final	Significant
Lodge Farm JMI	Final	Significant
Manor JMI	Final	Significant
Meadow View JMI	Final	Significant
Millfield JMI	Draft	Limited
Moorcroft Wood JMI	Draft	Significant (Borderline)
Mossley JMI	Draft	Significant
New Invention Infants	Final	Significant
North Walsall JMI	Draft	Significant
Radleys JMI	Draft	Significant
Rough Hay JMI	Final	Limited
Salisbury JMI	Draft	Significant
St Giles JMI	Draft	Significant (Borderline)
St James JMI	Final	Significant
St Marys the Mount JMI	Draft	Significant
St Patricks JMI	Final	Significant
Walsall Wood JMI	Draft	Significant
Whitehall Junior	Final	Significant

AUDIT	REPORT STATUS	ASSURANCE OPINION
<u>NEIGHBOURHOOD SERVICES:</u>		
Area Partnerships	Final	Significant
Bloxwich Leisure Centre	Final	Significant
Catering Establishment	Final	Significant
Community Development Team	Final	Significant
Coroner	Final	Limited
Countryside Management	Final	Significant
Darlaston Leisure Centre	Final	Significant
Gala Baths Leisure Centre	Final	Significant
Mobile Library	Final	Significant
Oak Park Leisure Centre	Final	Significant
PFI Streetlighting	Final	Significant
Recycling	Final	Significant
Resilience	Final	Significant
Safer Communities	Draft Final	Significant
Skip Permit Income	Final	Limited
Sports & Leisure Development	Final	Significant
Walsall Museum	Final	Significant
Waste Management - Landfill & Disposal Sites	Final	Significant
<u>REGENERATION:</u>		
Design Procurement Team	Final	Significant
Asset (Estate) Management (inc land terrier & land sales)	Draft Final	Significant
Regeneration - Delivery & Development (Strategic Regeneration Framework)	Final	Significant
Strategic Regeneration (Economic & Strategy)	Final	Significant
Transportation Strategy	Final	Significant
<u>RESOURCES:</u>		
Bank Account Reconciliations	Final	Significant
Benefits - Fraud Investigation Team	Final	Significant
Housing & Council Tax Benefits	Final	Significant
Capital Accounting	Final	Significant
Cash & Bank (Banking Hall / Income Management System)	Final	Significant
Council Tax /NNDR	Final	Significant
Equalities	Final	Significant
Insurance	Final	Significant
Leasing	Final	Significant
Marketing / Communications	Final	Significant
Nominal Ledger & Central Accounting	Final	Significant
Pay & Grading	Draft Final	Limited
Pensions	Final	Significant
Print & Design Unit	Final	Significant
Scrutiny	Final	Significant
Treasury Management	Final	Significant
<u>SOCIAL CARE & INCLUSION:</u>		
Access, Assessment & Care Management	Final	Significant
Fallings Heath (Residential Care)	Final	Significant (Borderline)
Goscote Centre (Day Care)	Draft Final	Significant
Hollybank House (Residential Care)	Draft Final	Significant
<u>COMPUTER AUDIT:</u>		
Acquisition and Disposal of Information Assets	Final	Full
Housing Benefits (SX3)	Final	Significant
IT Strategy & Governance	Final	Significant
Mayrise	Final	Significant
Oracle Financials : General Ledger	Final	Significant
Physical & Environmental Security	Final	Significant
Virtualisation (Server & Desktop)	Final	Significant

Summary of Limited Assurance Opinion Audits in 2011/12

Directorate	Audit	Report Status
Children's Services	Children's Centres	Final
	Children's Fund (Exit Arrangements)	Final
	Kings Hill JMI (School)	Draft
	Millfield JMI (School)	Draft
	Rough Hay JMI (School)	Final
Neighbourhood Services	Coroner	Final
	Skip Permit Income	Final
Resources	Pay & Grading	Draft Final

Children's Centres:

1. Introduction

An audit review of children's centres was undertaken as part of the annual audit plan. As part of this audit, visits were made to Brownhills and Darlaston Children's Centres, with follow up visits made to Lighthouse and Fibbersley Park Children's Centres.

Children's centres are developed in line with the needs of the local community, the range of services provided differing within each centre. However, there is a core set of services children's centres must provide:

- child and family health services, ranging from health visitors to breastfeeding support;
- high quality childcare and early learning;
- advice on parenting, local childcare options and access to specialist services for families like speech therapy, healthy eating advice or help with managing money; and
- find work or training opportunities, using links to local Jobcentre Plus offices and training providers.

2. Objectives

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;
- monitoring and review of the performance of children's centres takes place and any areas identified as requiring improvement are addressed;
- the service operates within the corporate performance management framework, including:

- workforce planning
 - EPA
 - 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;
 - procurement is adequately controlled and in accordance with the authority's financial and contract rules;
 - income, including grant income, is properly accounted for; and
 - key controls are in place to guard against fraud and irregularity.

3. Conclusions

A number of good practices were noted during the audit, including; an annual conversation process being undertaken for all children's centres to review performance; an advisory board being in place for each children's centre to provide governance; a children's centre satisfaction survey being undertaken annually by Walsall children's services – Serco (WCS – Serco) to establish customer views and help the centres identify improvements; and performance, achievements and outcomes reviews being undertaken for each centre on an annual basis to compare national and previous year performance.

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

- ensuring that arrangements for third party delivery of children's centre's on behalf of Serco, for example by Spurgeon's are clear, subject to regular monitoring and also that adequate arrangements are in place for transfer of services post Serco contract end;
- that clarification is sought regarding which corporate policies and procedures, including HR policies, centre staff should be following;
- ensuring orders are raised for all expenditure and evidence of this detailed;
- fees and charges are regularly reviewed and appropriately approved;
- there is adequate segregation of duties in all relevant operational transactions;
- authorised signatory limits are approved;
- petty cash arrangements are strengthened; and
- day to day operational procedures are adequately documented, approved and subject to regular review.

Children's Fund (Exit Arrangements):

1. Introduction

1. An audit review of children's fund exit arrangements was undertaken as part of the annual audit plan. Children's Fund was funded by area based grant which ended on 31 March 2011. A number of external service providers were

allocated a proportion of children's fund grant to deliver key programmes and services on behalf of the council.

2. Objectives

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:

- funding close down has been effectively managed in accordance with grant requirements and sufficient audit trail exists to support this;
- cessation of the grant has been effectively communicated to key stakeholders; and
- a succession strategy has been produced, approved and is being monitored to ensure that it is effectively executed.

3. Conclusions

Significant control weaknesses were identified in relation to the administration of the children's fund exit arrangements. Most controls require strengthening to ensure a standard and consistent process is followed for the closure of future children's services grant funding.

Kings Hill JMI:

1. Introduction

An audit review of Kings Hill School was undertaken as part of the annual audit plan.

2. Objectives

The objectives of the audit were to assess the controls operating within the school against the standards outlined by the Audit Commission and Ofsted in their publication 'Keeping Your Balance – standards for financial management in schools'; to test the accuracy of records maintained; and assess the implementation of previously agreed audit actions.

3. Conclusions

Both the design (sufficiency of controls) and management (effectiveness of controls) of work in operation at Kings Hills Primary School require improvement. Without management attention in the areas of governance, budget monitoring, procurement, income, banking, asset security and management of the voluntary funds, the schools operations may be at risk in these areas.

Some good practices were noted during the audit, including the accounting for VAT; and arrangements in place for the accurate completion of the school census.

Millfield JMI:

1. Introduction

An audit review of Millfield Primary School was undertaken as part of the annual audit plan.

2. Objectives

The objectives of the audit were to assess the controls operating within the school against the standards outlined by the Audit Commission and Ofsted in their publication 'Keeping Your Balance – standards for financial management in schools'; to test the accuracy of records maintained; and assess the implementation of previously agreed audit actions.

3. Conclusions

Generally, both the design (sufficiency of controls) and management (effectiveness of controls) of work in operation at Millfield Primary School require improvement. Without management attention in the areas of financial controls, procurement, income, banking, asset security and management of the extended activities and voluntary funds, the schools operations may be at risk in these areas.

Some good practices were noted during the audit, including; management information provided to governors; governors' declaration of business interests; the accounting for VAT; and arrangements in place for the accurate completion of the school census.

Rough Hay JMI:

1. Introduction

An audit review of Rough Hay Primary School was undertaken as part of the annual audit plan.

2. Objectives

The objectives of the audit were to assess the controls operating within the school against the standards outlined by the Audit Commission and Ofsted in their publication 'Keeping Your Balance – standards for financial management in schools'; to test the accuracy of records maintained; and assess the implementation of previously agreed audit actions. 'Keeping Your Balance' is being used by the audit section as a good practice framework for schools

pending release of further guidance on the replacement of financial management standard in schools (FMSIS).

3. Conclusions

Some good practices were noted during the audit, including:

- financial planning and budget monitoring arrangements;
- management of income controls; and
- arrangements in place for the accurate completion of the school census.

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

- purchasing arrangements and appropriate authorisation of orders raised by the school;
- ensuring that arrangements for paying individuals from the LMS bank account are reviewed, including payments made to staff family members in respect of services undertaken;
- reconciling the petty cash and accounting for VAT on the imprest;
- management of voluntary and extended activities fund; and
- ensuring the safe removal of data from obsolete computer equipment.

Coroner:

1. Introduction

An audit review of the Coroner's service was undertaken as part of the annual audit plan.

Walsall, Dudley and Sandwell Councils operate a shared arrangement for a whole time Coroner for the Black Country Coroner's district.

The Coroner's service is supported by Coroner's officers appointed by West Midlands Police and through mortuary and post mortem services arranged by the respective authorities. Dudley Council undertakes the role of lead authority in relation to the payment of the Coroner's salaries, allowances and expenses. Sandwell Council is the lead authority for the Black Country Coroner's service nominated to the Ministry of Justice and host authority in relation to the provision of shared office accommodation for the Coroner and his officers.

2. Objectives

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:

- an appropriate agreement is in place detailing the council's shared responsibilities for the Coroner with Dudley and Sandwell council's; and for the council's use of mortuary facilities at Walsall Hospital NHS Trust;
- appropriate corporate governance arrangements are in place;

- procedure notes are in place detailing officer responsibilities in respect of the overall day to day arrangements for administering the Coroner's service;
- payments made in respect of the Coroner's salary, allowances, expenses, and pension contributions are as set out in the shared agreement;
- the council's agreements for cost sharing and recovery in respect of the Coroner's building, utilities, IT equipment and personal health & safety are as set out in a shared agreement;
- appropriate controls are in place to ensure that only eligible expenditure in respect of the Coroner's services to Walsall are paid;
- costs in respect of mortuary facilities to Walsall Hospitals NHS Trust are as set out in the service agreement;
- effective management information and reporting arrangements are in place;
- an annual financial review is undertaken and data is shared for the prompt and accurate completion of the annual CIPFA return;
- adequacy budgetary control arrangements are in place; and
- prior open audit findings have been closed and addressed.

3. Conclusions

A number of good practices were noted during the audit, including the existence of a service level agreement for the Walsall Hospitals NHS Trust provision of mortuary facilities to Walsall Council, accurate and up to date budgetary reports and the timely completion of the annual CIPFA year end return.

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

- a Black Country District Service Level Agreement is documented and agreed;
- policies & procedures are comprehensively written and are reviewed annually;
- there is clear guidance on the total recharges and the proportion of fees & charges to be paid to Sandwell MBC and Dudley MBC.
- robust controls are established for expenditure processing; and
- appropriate management information is received from the Coroner on a regular basis.

Skip Permit Income:

1. Introduction

In order for a builder's skip to be placed on the public highway a permit must first be obtained from the local authority in accordance with the Highways Act 1980. Walsall Council operates a policy where only the company that is supplying the skip can apply for the permit.

2. Objectives

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:

- appropriate and accurate permit records are maintained;
- permits are issued in accordance with regulations;
- appropriate procedures are in place;
- fees are charged correctly and properly accounted for; and
- customer engagement is effective.

3. Conclusions

Some good practices were noted during the audit, including;

- availability of skip permit procedures; and
- staff are approachable in the event of query or guidance requests from the public.

A number of areas for improvement have, however, been identified, including;

- regular review and update of registered company details;
- introducing performance targets for the issue and processing of permits;
- ensuring that permits are issued in a timely manner and within the specified period;
- ensuring that permit applications are available and retained on file in all instances;
- tightening controls in place for recovering costs from skip operators and invoicing on a routinely / monthly basis;
- carrying out routine skip inspections to ensure that they are placed on highways in accordance with terms and conditions; and
- reviewing and approving the scale of charges.

Pay & Grading:

1. Introduction

An audit review of pay and grading was undertaken as part of the annual audit plan during March and April 2012.

Single Status, referred to as Pay and Grading at Walsall, has to be implemented by all councils as part of a national agreement agreed by the Local Government Employers (LGE) and UNISON, Unite, and GMB in 1997. The rationale behind the agreement was to ensure that there is clear equality in the way all council employees are paid. Implementing single status is mandatory.

Pay and grading is currently in transition from a project to business as usual.

2. Objectives:

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:

- robust project management principles are in place governing implementation of pay and grading;
- policies and procedures exist and have been appropriately communicated;
- job evaluation has been robust;
- appeals are appropriately managed and controlled;
- management information is available on which informed decisions can be made;
- performance is monitored and corrective action taken as appropriate;
- pay and grading has been effectively mainstreamed;
- equal pay claims are appropriately managed; and
- prior audit open findings have been closed/addressed.

3. Conclusions

Generally, weaknesses have been identified in both the design (sufficiency of control) and management (effectiveness of controls) of work in operation within pay and grading, which require management attention to address. Most notably, controls require strengthening in relation to project management, ensuring that day to day procedures exist and have been appropriately communicated to relevant staff; that job evaluation and appeals procedures are strengthened with sufficient audit trail in place; that sufficient and timely management information is in place on which informed decision making can be made; that performance management arrangements are strengthened and that robust arrangements are in place for the mainstreaming of pay and grading.

AUDIT	REPORT STATUS	ASSURANCE OPINION
<u>CHILDRENS SERVICES</u>		
Integrated Young Persons Support Service	Draft Final	Significant progress
Transition & Leaving Care	Final	Significant progress
<u>NEIGHBOURHOOD SERVICES</u>		
Anti Social Behaviour	Draft Final	Significant progress
CCTV / Surveillance	Final	Significant progress
New Art Gallery	Draft Final	Limited progress
Walsall Adult & Community College	Final	Significant progress
<u>REGENERATION</u>		
Homelessness Establishment	Final	Significant progress
<u>SOCIAL CARE & INCLUSION</u>		
Broadway North Resource Centre	Final	Significant progress
Community Alarm Service	Final	Limited progress
Community Mental Health Integrated Team	Final	Limited progress
Direct Payments, Personal & Individual Budgets	Draft Final	Limited progress
Home Care	Draft	Limited progress
Home Care Establishment	Final	Significant progress
Independent Sector Day Care, Residential & Nursing	Final	Significant progress
Inventories & Stocks - Links to Work	Final	Significant progress
Learning Disabilities - Satellite Offices	Final	Significant progress
Activity in Relation to the Former Pinfold Centre	Draft Final	Limited progress
Transport Services	Draft Final	Significant progress
<u>COMPUTER AUDIT</u>		
Information Security Management	Final	Significant progress
M3PP Northgate	Final	Significant progress