

# AUDIT COMMITTEE

4 DECEMBER 2006

AGENDA  
ITEM

## SUBMISSION OF INTERNAL AUDIT REPORTS FOR SCRUTINY

### Summary of report:

This report presents the two reports selected for scrutiny at the meeting of 16 10 06.

**Background papers:** Internal audit reports/files/working papers.

### Reason for scrutiny:

The audit committee's activities include ensuring an effective internal control environment is maintained and regular ongoing scrutiny of internal audit work.

**Recommendation:** To note the contents of the report.



Signed

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**Executive Director: Carole Evans**  
**24 November 2006**

### Resource and legal considerations:

The cost of providing internal audit is charged to services based on audit activity. These projects were included in the annual risk assessed audit programme discussed with managers 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.

### Environment impact:

None arising from this report.

### Vision impact:

The work undertaken by internal audit contributes towards the council's vision in ensuring we operate a sound control environment and provide excellent customer services.

### 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, the auditee's agreement to implement the recommendations was sought before issuing the final report. Shortly afterwards, the relevant manager was asked to formally confirm that the agreed action plan recommendations had been implemented.

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## SUMMARY OF REPORTS SELECTED FOR SCRUTINY

### 1 Accounts Payable – Neighbourhood Services

- 1.1 A comprehensive review of accounts payable (creditors) was undertaken during November 2005 and March 2006 as part of the cyclical internal audit plan. Based on findings within each of the 5 directorates, draft reports were issued in March 2006 and final reports issued in July 2006.
- 1.2 The objectives of the audit were to assess the procedures and controls in place in relation to the council's accounts payable system, to test the accuracy of the records maintained and to assess the implementation of previously agreed audit recommendations.
- 1.3 The overall conclusions in the final report for the neighbourhood services review (**Appendix 1**) were that:  
*The system operated for accounts payable (creditors) was found to be of an adequate standard. While a number of good practices were noted, in particular; systems security, receipt of goods, allocation of financial codes, accountability for VAT and data protection, several areas for improvement were identified including; general procedures, segregation of duties, timeliness of payment, payment of invoices and authorisation processes. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.*
- 1.4 A total of 25 recommendations were agreed; 11 being at high priority. In contacting the financial services support manager (regeneration and support services), formal confirmation was received on the 09 10 06 that 14 recommendations had been implemented with the remaining 11 recommendations being implemented by the end of December 2006.

### 2 Inventories and Stores – Occupational Therapy

- 2.1 This audit review took place in January 2006 and involved a review of the systems and procedures in operation to determine whether they were sufficient and effective.
- 2.2 The overall conclusion in the final report (**Appendix 2**) issued on 03.08.06 were that:

*'The systems operated in support services were found to be of a poor standard overall. Occupational therapy stock is a part of the 'integrated community equipment stores' (ICES), which is managed under the section 31 'Pooled Budget' agreement with Walsall Primary Care Trust (PCT), established in April 2005. The council is the 'Host' and 'Lead Commissioner' under this contract and also the accountable body. The section 31 agreement requires that the council's standing financial instructions shall apply to the management of the pooled fund and the partnership arrangements under this agreement. There is no contract yet in place between the council as lead commissioner and the tPCT as provider for the ICES, although a service specification for this arrangement has been drafted. Consequently, the manner in which the council as lead commissioner has applied financial and contract procedure rules in commissioning this service requires clarification, which is now in hand.*

*Staff at the stores are employees of the tPCT and include some people who transferred under TUPE from social services. Due to general recruitment difficulties, a*

*stores services manager was not appointed until April 2005, after a gap of three years without any manager. Following the manager's appointment the operational functions at the stores are now starting to improve.*

*As part of this audit review, appointments had been arranged with the service manager. However, due to the service manager's other stated commitments and unavailability, these appointments had to be cancelled on a number of occasions. Consequently, it is not possible to verify that the systems employed at the stores provide appropriate assurance and that safeguards are in place to protect the council's interests and discharge its accountable body obligations.'*

- 2.3 A total of 4 recommendations were agreed by the assistant director social care and inclusion and the head of younger adults and disability services for implementation by 01 09 06. In contacting the unit manager on 02 11 06, it was formally confirmed that 2 of the recommendations had been fully implemented and a revised implementation date of 01 12 06 had been set for the 2 outstanding recommendations pending agreement from the PCT of a draft service level agreement.