Audit Committee – 2 September 2013

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 organisation in 2012/13, 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.**

[signature]

James Walsh - Chief Finance Officer

6 August 2013

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 set out the proper practice for internal audit in 2012/13, requires the head of internal audit to provide an annual opinion on the overall adequacy and effectiveness of the organisation's control environment.

From 1 April 2013, the Public Sector Internal Audit Standards replace the CIPFA Code of Practice 2006 as 'proper internal audit practice'. In local government, the PSIAS are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011. The new standards are intended to promote further improvement in the professionalism, quality and effectiveness of internal audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide Audit Committees and senior management with the key assurances they need to support them both in managing the organisation and in producing the annual governance statement.

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 organisation'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 organisation and the reporting of financial management; and
• the performance management of the organisation 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 internal audit performance and achievements during 2012/13 have been provided to the Audit Committee and a final report for the year was considered at the 24 June 2013 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 organisation in 2012/13, 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 2012/13 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 2012/13.

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 12 June 2013, which was presented to 24 June 2013 Audit Committee, 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 or limitations 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 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.

The Internal Control Environment

Appendix A details the overall audit rating for each planned audit undertaken during 2012/13.

During 2012/13, 111 specific audit reviews were undertaken, excluding unplanned irregularity, consultancy and follow up work. Of these:
- No reviews received a full assurance opinion;
- 93 reviews (84%) received a significant assurance opinion, 6 of these were borderline;
- 18 reviews (16%) received a limited assurance opinion; and
- No reviews received a no assurance opinion.

Overall, 93 reviews (84%) were given significant assurance or above.

2 audits, namely, business solutions 'working smarter' and corporate governance, were being completed at the time of issue of this opinion. Based on the work undertaken on these audits to date, the provisional audit opinions formed on these audits would not affect the overall annual opinion.

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)	Limited
Accounts Receivable (Debtors)	Significant
Bank Account Reconciliations	Significant
Budget Management	Significant
Capital Accounting	Significant
Capital Programme	Significant
Cash & Bank (Banking Hall & Income Management System)	Significant
Council Tax / National Non Domestic Rates (NNDR)	Significant
Housing & Council Tax Benefits	Limited
Nominal Ledger / Central Accounting	Significant
Payroll	Borderline Significant
Project Management	Limited
Treasury Management	Borderline Significant

All were found to be operating satisfactorily, receiving a significant assurance opinion with the exception of accounts payable (creditors), housing & council tax benefits, and project management which received a limited assurance opinion. Payroll and treasury management received a borderline significant assurance opinion. A summary of these audits is detailed at **Appendix B**. The summary opinions are set out as below:

The **accounts payable (creditors)** summary audit opinion states:

Generally, the design and management of work in operation within accounts payable requires attention, most notably in ensuring that effective and robust system security is established, payment authorisation processes are strengthened and ensuring that only legitimate invoices are processed and paid. The processing of credit notes also requires attention, as do controls for VAT in ensuring compliance with HM Revenues & Customs requirements.

Whilst this audit received a limited assurance opinion, it should be noted that, in the main, this was due to exceptions identified during audit testing of 'other' creditor payment methods such as purchase cards and delegated bank accounts where controls were found to require attention.

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;
- appropriate procedures followed for the reconciliation and disposal of controlled stationary; and issuing and printing of cheques for the use of accounts payable and benefits; and
- performance management processes, including, regular report to senior management on non-compliance with the Iprocurement process and completion of employee performance assessments to ensure sufficient workforce planning.

The **housing & council tax benefits** audit opinion states:

Generally, the design and management of work in operation within housing & council tax benefits requires some strengthening, most notably in ensuring that:-

- there is sufficient documentary evidence available to support benefit entitlement awarded to claimants;
- all relevant benefit records and accounts are updated to record all transactions and all records are protected against loss / unauthorised access;
- sufficient system controls are in place to ensure that all benefit assessments are correctly calculated and valued;
- robust systems are established to ensure that all benefit claims, amendments and cancellations are processed promptly;
- write offs are approved and authorised in accordance with officer delegations as set out in the council's constitution;
- all benefit applications and payments are legitimate and appropriate with adequate controls in place for declaration of income;
- benefit payments are made in a timely manner and in accordance with legislative requirements and best practice targets;
- segregation of duties and hierarchical access controls, including authorisations and approvals, are sufficient as required in the council's financial rules; and
- the system for collection and monitoring of measures to determine purpose is implemented as planned; and a review of the effectiveness of these measures against routine benefits performance indicators is undertaken to ensure that indicators of system failures are not missed.

Some good practices noted during the audit, included the electronic system for recording legislative and process changes which can be accessed by all benefit officers, Northgate and Oracle system reconciliations being regularly completed and designated resources have been allocated to checking DWP ALTAS notifications to ensure that claims are not suspended unnecessarily and are not being paid benefit where they are no longer entitled..

The benefits system is currently undergoing a systems thinking 'working smarter' review under the "help me with my money, my house, my job" theme. The review entails understanding what matters to customers, considering the 'end to end' system, understanding demand and flow, before re-designing the system against value demand i.e. what matters to customers.

The **project management** summary audit opinion states:

Management attention is required in both the management and design of work, in particular, in ensuring that the 'Walsall Change Approach' is finalised and embedded across the council which will address inconsistent working practices and controls within project start up & initiation, monitoring & reporting and closure stages of projects. A set of suitable measures for performance should also be developed.

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 project management operations.

It was also noted that there are still a number of prior audit findings which remain unaddressed at the time of this audit.

The **payroll** summary audit opinion states:

The design of work (sufficiency of controls) within the payroll service is generally sound. Weaknesses in compliance have, however, been noted in the management of work (effectiveness of controls), most notably in the processing of new starters; variations to pay; leavers and transfers; and ensuring policies and procedures are up to date. It was also disappointing to note that there are still a number of prior audit findings which remain unaddressed at the time of this audit.

During the year, two separate unplanned audit reports have been issued following control weaknesses identified in the processing of overtime and relocation payments. Implementation of the action plan in these reports, as well as the action plan detailed within the payroll audit report, will strengthen controls further.

The **treasury management** summary audit opinion states:

Generally the design of work (sufficiency of controls) in treasury management is sufficient but the management of work (effectiveness of controls) has been weakened by a number of staff absences during 2012/13.

A number of good practices were noted during the audit including the treasury management policy statement's compliance with the CIPFA code of treasury management; the production of the annual treasury management and investment strategy including prudential indicators; cash flow forecasts being performed on a daily basis; and investments made with institutions which the authority has defined as appropriate, within specified limits.

Management of work needs to be improved, in particular, quality checks should be undertaken on work undertaken by inexperienced officers working within treasury management; logotech needs to be updated promptly to ensure there is an accurate and complete record of the council's investments; cash flow statements should be reviewed on a monthly basis; assessment sheets should be completed and checked for all investments; 'at call' accounts should be reviewed on a monthly basis; and reconciliations should be completed promptly.

Other Financial & Non Financial Systems

In addition to fundamental financial systems, audits were undertaken in 2012/13 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 2012/13.

The table below details the 15 reviews where a limited assurance opinion was given:

Directorate	Audits with a Limited Assurance Opinion
All	Attendance Management
	Contract Systems – Kier Construction Central
	Declaration of interests, gifts & hospitality and overseas travel
Children's Services	Children with Disabilities

Directorate	Audits with a Limited Assurance Opinion
	Foster Care & Adoption Services
	Initial Response Service
	Looked After Children
	Safeguarding – Family Support
	Pool Hayes JMI
Regeneration	Building Services
Resources	Procurement
Social Care & Inclusion	Benefits Based Charging
	Independent Sector – Residential & Nursing
	Mental Health S117 (Aftercare)
	Social Care Operating Model

The table below details the 4 reviews where a borderline significant assurance opinion was given:

Directorate	Audits with a Borderline Significant Assurance Opinion
Children's Services	Alumwell Children's Centre
	Blakenall Children's Centre
	St Peters JMI
Computer Audit	Information Security

A summary of the audit opinions of these reviews is detailed at **Appendix C.** Of these reviews, most significant to this report is attendance management; declaration of interests, gifts & hospitality and overseas travel and procurement. The summary audit opinions for these audits are as follows:

The **attendance management** summary audit opinion states:

Generally the design of work operated within the attendance management system is sufficient and effective. However a number of improvements in the management of work (effectiveness of controls) are required.

Some good practices were noted during the audit, including the attendance procedure being readily available on the intranet, reports regarding sickness absence provided to directorate performance board.

Management attention is, however, required to ensure that there is compliance with the council's attendance procedure. In particular checking that self certifications and fit notes are submitted and held on trent and personal files; ensuring that return to work interviews are promptly completed; that appropriate sanctions, including absence reviews and warnings are undertaken and all documentation is completed and signed appropriately; that welfare visits are made and that there is adequate documentary evidence to support this on file; and the review of the attendance procedure should be completed. It was also disappointing to note that there are still a number of prior audit findings which remain unaddressed at the time of this audit.

The **declaration of interests, gifts & hospitality and overseas travel** summary audit opinion states:

Generally, governance arrangements for the declaration of interests, gifts & hospitality and overseas travel require significant strengthening. Most notably, the employees' code of conduct, in which the council's requirements in respect of declarations of interest and receipt of gifts and hospitality are set out, has not been reviewed for some time. It also appears that an updated but unapproved version of the code is in operation on the intranet. Further, there is no policy setting out the council's expectations and requirements with regard to overseas travel.

Standard forms for declaration of interests, gifts & hospitality and overseas travel have not been reviewed for some time and are not, in the main, easily retrievable on the intranet.

Inconsistencies were noted between the reporting requirements for declaration of interests noted in financial rules and the employees' code of conduct, for example, financial rules signposts declaring employees to the chief finance officer; the employees' code of conduct, signposts declaring employees to the monitoring officer.

The audit has also identified that if an interest is declared, there is no current co-ordinated process to escalate, follow up, monitor or record these declarations, including making the employee's line manager aware of the interest so that appropriate action can be taken. The declaration of interest form template states that if an interest is declared the monitoring officer and executive director should be notified, however, this process is not currently in place and the form is only scanned onto the employee's personal file.

Arrangements for the recording of gifts and hospitality also require strengthening; generally it was noted practice that executive directors' personal assistants hold these registers, however there were some inconsistencies, for example, in the case of neighbourhood services where community safety and leisure held their own registers. In the case of social care and inclusion, no record of gifts and hospitality received had been made, which may be indicative of a lack of awareness of the requirement to declare gifts and hospitality.

The **procurement** summary audit opinion states:

Generally, the design (sufficiency of controls) and management (effectiveness of controls) of work in operation within procurement activity require improvement. Most notably, controls require strengthening to ensure that:
- the procurement code is produced and issued, or references to it removed from contract rules;
- reporting of areas of highest spend is improved;
- effectiveness of delivery of savings is reported;
- contracts are procured in accordance with contract rules requirements, including proper authority to commence a procurement and authority to act under urgency;
- needs assessments are performed for procurement projects;
- directorate contract registers are fully completed prior to a centralised contracts register being finalised;
- a decision is taken on the future need for a procurement strategy and a corporate commissioning framework;
- a staff training plan is established; and
- procurement performance is monitored.

Good practice has been noted as e-enabled procurement activities have now been embedded.

The 10 prior audit open findings from the previous audit report have not yet been addressed.

2012/13 Follow Ups

Audits given a no or limited assurance opinion are subject to a follow up audit. During 2012/13, of the 15 follow up audits undertaken, 13 (87%) had made significant progress in addressing previously identified control weaknesses and 2 (13%) had made limited progress (**Appendix D**). The 2 limited progress follow ups are detailed in the table below.

Directorate	Audit
Social Care & Inclusion	Charging Policies & Application
	Community Mental Health Integrated Team

Where follow up audits receive a 'limited progress' opinion, executive directors and their accountable managers are asked to attend Audit Committee and give assurances that necessary actions are being taken. These reports will be considered as part of the no and limited assurance item on this evening's agenda.

Unplanned Assurance

Unplanned assurance work comprises of:
- advisory and consultancy related services which are carried out to improve services and to add value, including the impact of proposed policy initiatives, programmes and projects as well as emerging risks.
- prevention, detection and investigation of fraud and corruption; and other irregularity.

A contingency exists within the annual audit plan for this type of work. A higher than anticipated level of time was spent on this work during the year, a total of 825 actual days against 692 planned days (an increase of 133 days). A summary of this work is reported 6 monthly to the Audit Committee.

Advisory 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 within welfare rights, the risk management framework, housing benefit processes, council tax refunds, potential sourcing of a new payroll system, systems for the new housing benefit crisis support fund, community development team processes and systems for car parking income.
- Requests for assurance opinions, such as a review of In-tend (electronic tender system); cheque printing systems, interim / agency authorisations, audit health checks of education services transferring back to the Council from

SERCO, audit of school pension returns and final account opinions such as the Town Centre transport package.

- Review of arrangements for grants such as the troubled families grant, group funding to prevent homelessness, Darlaston Enterprise Zone grant, Food Standards Agency grant and nature improvement area grant.
- Response to Freedom of Information / Data Protection Act requests, most notably in connection with surveillance work approved under the Regulation of Investigatory Powers Act (RIPA) 2000 .

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 2013, 166 responses to requests for advice were provided.

Prevention, detection and investigation of fraud and corruption

A number of unplanned jobs, including suspected frauds and irregularities, were undertaken by the service during the year, 8 being notified through the whistle blowing procedure. While most cases were not material in the context of this opinion, the following case in particular, has given significant cause for concern this year:

- Allegations (including whistleblowing) were received from different sources in respect of procurement practices, the management of appointeeships and systems to implement personalisation within social care and inclusion. Work undertaken in respect of this is now subject to an external review which is yet to report its findings.

In addition to the above, other cases which have given concern in 2012/13 are as follows:

- The systems of control governing the arrangements for payment of relocation expenses and overtime paid to officers. Procedural weaknesses were identified in the policies and application of these.

Of significance to the 2011/12 opinion, was anonymous allegations 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 an 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 detailing progress against the action plan was reported to Audit Committee on 12 November 2012, which concluded that of the 6 actions contained within the plan, 5 were found to be implemented and 1 was partially implemented, pending the appointment of a permanent Head of Human Resources. The new Head of Human Resources commenced on 2 April 2013. The remaining action will be followed up and reported to Audit Committee shortly.

Also noted of concern in the 2011/12 opinion was anonymous allegations received concerning financial mismanagement within a children's centre. A report with an action plan for improvement was issued to management. This case is currently progressing through the court process.

A brief summary of a number of other cases investigated during 2012/13 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.

Procurement
Cases have been referred for investigation regarding potential procurement irregularities, including potential non compliance with the council's contract rules.

Human Resources
Cases have been referred for investigation regarding potential irregularity with pay and grading practices; restructures and application of human resource policies such as the disciplinary process.

Data security beaches
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.

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

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 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.

An improvement plan was put in place to implement the actions outlined in the report and an independently chaired Improvement Board established to oversee progress against the improvement plan. Progress has been reported by the executive director for children's services to Audit Committee on 12 November 2012 and 25 February 2013.

An un-announced OFSTED re-inspection took place between 24 June 2013 and 3 July 2013. The resultant report concluded that the overall effectiveness of the

arrangements to protect children in Walsall was judged to be adequate (a service that meets minimum requirements). Further updates to the Audit Committee from the executive director for children's services on progress against the improvement plan, including the outcome of the recent un-announced inspection are planned for 2 September 2013 and 11 November 2013.

Performance

CIPFA Code of Practice

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.

Public Sector Internal Audit Standards

Internal audit has completed a compliance checklist against the new Public Sector Internal Audit Standards which came into effect from 1 April 2013. Of the 206 point checklist detailed within CIPFA's 'Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards', only 13 have not been met in full (179 were considered to be fully met and 14 partially met).

An improvement plan to ensure the service is fully compliant with the new Public Sector Internal Audit Standards is detailed at **Appendix E**.

It is concluded that practice generally conforms to the standard overall, but with some minor areas of non compliance.

Performance Measures

The overall performance of internal audit in 2012/13 was reported to the Audit Committee on 24 June 2013 and demonstrated a good level of performance against the service's performance measures.

Internal audit achieved 98% of the audit plan in 2012/13. 1 planned audit (Education Business Partnership) has not been undertaken but is planned for 2013/14; 1 school audit (Aldridge Science School) was not undertaken due to the school transferring to academy status.

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AUDIT	REPORT STATUS	ASSURANCE OPINION
ALL:		
Accounts Payable	Final	Limited
Accounts Receivable	Final	Significant
Attendance Management (Sickness)	Final	Limited
Budgetary Management	Final	Significant
Business Solutions 'Working Smarter'	Ongoing	Ongoing
Capital Programme	Final	Significant
Project Management	Draft Final	Limited
Constitution & Review of Delegations	Final	Significant
Contract Systems:		
Black Country Partnership NHS	Final	Significant
English Landscapes Ltd	Final	Significant
ISG Construction Ltd	Final	Significant
Kier Construction Central	Draft	Limited
N Power Ltd (Building Electricity)	Draft	Significant
N Power Ltd (Street Lighting)	Draft Final	Significant
Prospects Services Ltd	Final	Significant
Starting Point Recruitment Ltd	Draft	Significant
Voyage 1 Ltd	Draft Final	Significant
Willmott Dixon Construction Ltd	Final	Significant
Corporate Governance	Ongoing	Ongoing
Declarations	Final	Limited
•declarations of interest		
•gifts & hospitality		
•overseas trips		
Grants	Final	Significant
Payroll	Final	Borderline Significant
Public Health Transition	Final	Significant
Smarter Workplaces	Final	Significant
CHILDRENS SERVICES:		
Education Services (Services Transferring Back Health Check):		
Finance Support Team	Final	Significant
Children with Disabilities	Final	Limited
Foster Care & Adoption Services	Draft Final	Limited
Initial Response Service	Final	Limited
Looked After Children	Draft	Limited
Safeguarding - Family Support	Draft	Limited
Childrens Transport Provision	Final	Significant
Early Years	Final	Significant
School Planning & Admissions	Final	Significant
Special Education Needs (SEN) Advisory & SEN Assessments	Final	Significant
Virtual School for Looked After Children	Final	Significant
Education Transition Project Review	Final	Significant
Sure Start / Children's Centres:		
Alumwell	Final	Borderline Significant
Birchills	Final	Significant
Blakenall	Final	Borderline Significant
Palfrey	Final	Significant
Primary Schools:		
Abbey JMI	Final	Significant
Blakenall Heath Junior	Final	Significant
Blue Coat Infants	Final	Significant
Blue Coat Junior	Final	Significant
Brownhills West JMI	Final	Significant
Castlefort JMI	Final	Significant
Christ Church JMI	Final	Significant
County Bridge JMI	Final	Significant
Delves Infants	Final	Significant
Fibbersley JMI	Final	Significant
Little Bloxwich JMI	Final	Significant
Phoenix Primary	Final	Significant
Pool Hayes JMI	Final	Limited
Short Heath Federation	Final	Significant
St Annes JMI	Final	Significant
St Bernadettes JMI	Final	Significant
St Francis JMI	Final	Significant
St Josephs JMI	Final	Significant
St Marys of the Angels JMI	Final	Significant
St Peters JMI	Final	Borderline Significant
St Thomas of Canterbury JMI	Final	Significant
Sunshine Infants	Final	Significant

AUDIT	REPORT STATUS	ASSURANCE OPINION
Watling Street JMI	Final	Significant
Whetstone Field JMI	Final	Significant
Whitehall Infants	Final	Significant
Nursery Schools:		
Alumwell Nursery	Final	Significant
Fullbrook Nursery	Final	Significant
Millfields Nursery	Final	Significant
Ogley Hay Nursery	Final	Significant
Rowley View Nursery	Final	Significant
Sandbank Nursery	Final	Significant
Valley Nursery	Final	Significant
Secondary Schools:		
Brownhills Community Technology College	Final	Significant
Elmwood School	Final	Significant
Pool Hayes Community	Final	Significant
St Francis of Assisi Comp	Final	Significant
St Thomas More Business & Enterprise College	Final	Significant
NEIGHBOURHOOD SERVICES:		
Bereavement Services	Final	Significant
Environmental Health	Final	Significant
Grounds Maintenance	Final	Significant
Licensing Enforcement	Final	Significant
Parks, Play Areas & Green Spaces	Final	Significant
Urban Forestry Unit	Draft Final	Significant
REGENERATION:		
Building Control	Final	Significant
Building Services	Final	Limited
Carbon Reduction Commitment Energy Efficiency Scheme	Final	Significant
Gypsy and Travellers	Final	Significant
Markets	Final	Significant
Planning	Final	Significant
RESOURCES:		
Bank Account Reconciliations	Final	Significant
Capital Accounting	Final	Significant
Cash & Bank (Banking Hall / Income Management System)	Final	Significant
Council Tax / National Non Domestic Rates (NNDR)	Final	Significant
Freedom of Information Act and Data Protection Act	Final	Significant
Health & Safety	Final	Significant
Housing and Council Tax Benefits	Draft	Limited
Nominal Ledger & Central Accounting	Final	Significant
Procurement	Draft	Limited
Training & Development	Final	Significant
Treasury Management	Final	Borderline Significant
SOCIAL CARE & INCLUSION:		
Access, Assessment & Care Management - Mobile Working	Final	Significant
Benefits Based Charging	Draft	Limited
Housing 21 Contract Monitoring	Final	Significant
Independent Sector-Residential & Nursing Care	Final	Limited
Mental Health S117 (Aftercare)	Draft	Limited
Social Care Operating Model	Draft	Limited
COMPUTER AUDIT:		
Bring Your Own Devises	Draft Final	Significant
Change Management	Final	Significant
Computer Network Services & Infrastructure	Final	Significant
Data Centre Operations & Security	Final	Significant
Information Security (inc Information Governance)	Final	Borderline Significant
Paris, Fiscom and Nurrcis	Final	Significant
Payroll (Trent)	Final	Significant

Fundamental Financial Systems 2012/13
Summary of Limited Assurance Opinion Audits

Directorate	Audit	Report Status
ALL	Accounts Payable	Final
	Project Management	Draft Final
Resources	Housing & Council Tax Benefits	Draft

Summary of Borderline Significant Assurance Opinion Audits

Directorate	Audit	Report Status
ALL	Payroll	Final
Resources	Treasury Management	Final

Accounts Payable:

1. **Introduction**

An audit review of accounts payable was undertaken as part of the annual audit plan during March 2013.

Oracle accounts payable is the council's systems for creditor payments and is administered by the central consolidated creditors' team, with some processing by individual service areas. For the period 1 April 2012 to 31 March 2013, £1,231,613,499.78 worth of invoices has been paid via Oracle.

Finance direct has now been rolled out across all services within the council. This was in a pilot stage at the time of the previous audit undertaken in 2010/11. Key system changes as a result of finance direct and other system changes are as follows:

- Requisitions are raised on IPROC by a requisitioner and once approved by an appropriate independent authorising officer, will then become the authorised purchase order.
- The authorised purchase order raises commitment of the expenditure.
- Certification of goods received is confirmed via the Iprocurement system by the requisitioner or relevant team manager with requisitioner access to IPROC. The authorising officer should not confirm goods receipt to ensure sufficient segregation of duties.
- Invoices details are input onto Oracle and a copy of the invoice is scanned and given a 'barcode' reference by the accounts payable team so that a copy of the invoice is retained and available for view by staff on Oracle.
- The invoice is matched to the authorised purchase order raised on IPROC and as long as the invoice is within a 5% tolerance of the purchase order price the invoice will be successfully matched. Where an IPROC order has not been raised or the invoice amount is above the 5% tolerance a request to raise / amend a purchase order will be sent to the requisitioner.

- Once the invoice is successfully matched to an appropriately approved purchase order the invoice is validated by an independent officer within the accounts payable team to ensure accuracy of the details input and processed for payment.

There are services exempt from the finance direct process because purchase orders cannot be raised for the expenditure prior to the commission of the goods/services/work, for example, energy charges, care provider charges, council tax & non-domestic rates. Some services are exempt from the process because they process their own invoices, for example, Walsall Adult & Community College, Street Pride and schools.

Spendvision is the Council's Corporate system for the coding, approval and reporting of all purchase card transactions. Over the past financial year the use of purchase cards has increased with the aim of reducing the set up of one off suppliers on Oracle. High volume suppliers, such as Office Depot, Starting Point and catering companies are also administered via Spendvision, for these suppliers a 'virtual purchase card' is used and all charges are applied via the Spendvision system.

Some service areas also hold a delegated bank account which is administered by the responsible service area. Delegated bank accounts are designed to provide emergency payment facilities in order to meet service needs and demands. Bank reconciliations are completed and reimbursement proforma claims are submitted to reclaim the amount up to the approved imprest level.

2. Objectives

The objectives of the audit covered the following areas and sought to provide assurance that:

- procedures are clearly defined and available to all officers;
- system security is adequate and effective;
- adequate arrangements are in place for the issue and storage of controlled stationery;
- official orders are raised for all goods/services/works requested and are supported by an internal requisition;
- sufficient information is detailed on all orders and invoices;
- the receipt of goods/services/works is appropriately evidenced;
- robust procedures are in place regarding the receipt and recording of invoices;
- all internal requisitions, orders and invoices are appropriately authorised prior to payment;
- invoices are correctly and promptly processed;
- urgent and manual payments are adequately controlled;
- BACS payment controls are sufficient and operating effectively;
- cheque issue procedures are robust;

- creditor control account totals are regularly reconciled and reviewed by an appropriate/independent officer;
- payments are allocated to an appropriate expenditure code;
- VAT has been correctly accounted for;
- processing of credit notes is adequately controlled;
- returned cheques are appropriately controlled;
- amendments to creditor/standing data are robustly controlled;
- there is an adequate segregation of duties e.g. between ordering and receiving goods/services/works;
- bank accounts maintained for the purpose of creditor payments are regularly reconciled with anomalies identified and promptly corrected;
- appropriate controls are in place to reconcile data received from other council systems into Oracle Accounts Payable e.g. CTAX and NNDR;
- all documentation is retained in accordance with council procedures;
- exception reports are regularly produced and reviewed;
- performance indicators have been established and are regularly monitored;
- data protection processes are robust;
- there is compliance with council procedures in respect of workforce planning and employee performance assessment, and
- prior audit open findings have been closed/addressed.

3.   Conclusions

Generally, the design and management of work in operation within accounts payable requires attention, most notably in ensuring that effective and robust system security is established, payment authorisation processes are strengthened and ensuring that only legitimate invoices are processed and paid. The processing of credit notes also requires attention, as do controls for VAT in ensuring compliance with HM Revenues & Customs requirements.

Whilst this audit received a limited assurance opinion, it should be noted that, in the main, this was due to exceptions identified during audit testing of 'other' creditor payment methods such as purchase cards and delegated bank accounts where controls were found to require attention.

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;
- appropriate procedures followed for the reconciliation and disposal of controlled stationary; and issuing and printing of cheques for the use of accounts payable and benefits; and
- performance management processes, including, regular report to senior management on non-compliance with the Iprocurement process and completion of employee performance assessments to ensure sufficient workforce planning.

Project Management:

1.   Introduction

An audit review of project management was undertaken as part of the 2012/13 annual audit plan during March 2013.

The purpose of project management is to deliver change and improvement that has a positive impact on the quality of the council's services to the people of Walsall.

The 'Walsall Change Approach' has recently replaced the previous 'Walsall Project Approach'.

2.   Objectives

The objectives of the audit covered the following areas and sought to provide assurance that:

• there is evidence of effective project management in operation throughout the authority;
• a core officers group exists with responsibilities clearly defined for ensuring cross directorate support and action on project formulation, development and completion; and in keeping a 'watching brief' regarding changes in legislation, new government directives, developments in best practice and new initiatives etc;
• project protocols / terms of reference / initiation plans are validated, agreed and countersigned prior to the commencement of projects;
• effective project monitoring and reporting arrangements are in place;
• adequate management information and budgetary control is in place;
• post project evaluation and benefit realisation review is undertaken; and
• prior open audit findings have been closed/addressed.

3.   Conclusions

Management attention is required in both the management and design of work, in particular, in ensuring that the 'Walsall Change Approach' is finalised and embedded across the council which will address inconsistent working practices and controls within project start up & initiation, monitoring & reporting and closure stages of projects. A set of suitable measures for performance should also be developed.

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 project management operations.

It was also noted that there are still a number of prior audit findings which remain unaddressed at the time of this audit.

Housing & Council Tax Benefits:

1.   Introduction

An audit review of housing & council tax benefits was undertaken as part of the 2012/13 annual audit plan.

The council's housing and council tax benefit section processes claims and advises the residents of the borough on all aspects of housing and council tax benefits. For a person to be eligible to claim housing and/or council tax benefit they must be listed as living in a property and liable to pay council tax. As at 25 March 2013 the approximate number of households receiving a benefit payment was 37,073 and the total amount of council expenditure on benefits during 2012/13 was £141,955,108.

The benefits system is currently undergoing a systems thinking 'working smarter' review under the 'my money, my home, my job' theme.

2.   Objectives

The objectives of the audit covered the following areas and sought to provide assurance that:

- procedures for administration of the benefits system are operated in accordance with relevant guidelines;
- there is documentary proof to support all benefit claims;
- all relevant benefit records and accounts are updated to record all transactions and all records are protected against loss / unauthorised access;
- periodic independent checks of benefit assessments are carried out;
- all benefit assessments are correctly calculated and valued;
- all benefit claims, amendments and cancellations are processed promptly;
- all benefit claims write offs are processed promptly;
- all benefit applications and payments are legitimate and appropriate with adequate controls in place for declaration of income;
- benefit payments are made in a timely manner, in accordance with service quality standards;
- un-presented cheques are subject to appropriate review;
- adequate segregation of duties is in place;
- regular reconciliations and reports are produced and monitored;
- performance management is of a good standard; and
- prior audit open findings have been closed/addressed.

3.   Conclusions

Generally, the design and management of work in operation within housing & council tax benefits requires some strengthening, most notably in ensuring that:-

- there is sufficient documentary evidence available to support benefit entitlement awarded to claimants;
- all relevant benefit records and accounts are updated to record all transactions and all records are protected against loss / unauthorised access;
- sufficient system controls are in place to ensure that all benefit assessments are correctly calculated and valued;
- robust systems are established to ensure that all benefit claims, amendments and cancellations are processed promptly;
- write offs are approved and authorised in accordance with officer delegations as set out in the council's constitution;
- all benefit applications and payments are legitimate and appropriate with adequate controls in place for declaration of income;
- benefit payments are made in a timely manner and in accordance with legislative requirements and best practice targets;
- segregation of duties and hierarchical access controls, including authorisations and approvals, are sufficient as required in the council's financial rules; and
- the system for collection and monitoring of measures to determine purpose is implemented as planned; and a review of the effectiveness of these measures against routine benefits performance indicators is undertaken to ensure that indicators of system failures are not missed.

Some good practices noted during the audit, included the electronic system for recording legislative and process changes which can be accessed by all benefit officers, Northgate and Oracle system reconciliations being regularly completed and designated resources have been allocated to checking DWP ALTAS notifications to ensure that claims are not suspended unnecessarily and are not being paid benefit where they are no longer entitled..

The benefits system is currently undergoing a systems thinking 'working smarter' review under the "help me with my money, my house, my job" theme. The review entails understanding what matters to customers, considering the 'end to end' system, understanding demand and flow, before re-designing the system against value demand i.e. what matters to customers.

Payroll:

1.   Introduction

An audit review of payroll was undertaken as part of the 2012/13 annual audit plan.

The payroll section is made up of 4 key areas; recruitment & CRB, payroll services, information & pensions management and HRD Direct, which provide a full range of operational human resources services and processes across the council.

2. Objectives

The objectives of the audit covered the following areas and sought to provide assurance that:

- there are adequate controls and separation of duties in place for maintaining and updating the establishment and procedures have been documented;
- new starters are appropriately documented, authorised and processed;
- employee deductions are appropriately documented, authorised and processed;
- variations to pay, including expenses and car mileage, maternity, and overpayments, are appropriately documented, authorised, processed and monitored;
- leavers and transfers are appropriately documented, authorised and processed;
- payments are only made in respect of staff currently employed in authorised posts, are charged to the correct cost centres and BACS transmissions are carried out independently;
- regular reports are produced and reconciliations undertaken independently;
- data is held securely; and
- prior audit open findings have been closed/addressed.

3. Conclusions

The design of work (sufficiency of controls) within the payroll service is generally sound. Weaknesses in compliance have, however, been noted in the management of work (effectiveness of controls), most notably in the processing of new starters; variations to pay; leavers and transfers; and ensuring policies and procedures are up to date. It was also disappointing to note that there are still a number of prior audit findings which remain unaddressed at the time of this audit.

During the year, two separate unplanned audit reports have been issued following control weaknesses identified in the processing of overtime and relocation payments. Implementation of the action plan in these reports, as well as the action plan detailed within the payroll audit report, will strengthen controls further.

Treasury Management:

1. Introduction

An audit review of treasury management was undertaken as part of the 2012/13 annual audit plan during January and February 2013.

The function of treasury management is to perform the council's investment and borrowing activities.

2. Objectives

The objectives of the audit covered the following areas and sought to provide assurance that:

- policies and procedures are adhered to, including Financial Rules/Contract Rules;
- there are suitably trained staff and a staffing contingency in place;
- risks are appropriately managed;
- cash and cash flow forecasting and monitoring systems have been established;
- lending and investment transactions are recorded promptly and interest is appropriately monitored and controlled;
- borrowing transactions are recorded promptly and interest is appropriately monitored and controlled;
- capital investments are in line with the prudential code for capital finance in local authorities;
- adequate controls are in place to monitor payments;
- internal controls and reporting systems have been established for preventing fraud;
- appropriate segregation of duties are in place for account and year-end reconciliations;
- computer and data information is held securely; and
- prior audit open findings have been closed/addressed.

3. Conclusions

Generally the design of work (sufficiency of controls) in treasury management is sufficient but the management of work (effectiveness of controls) has been weakened by a number of staff absences during 2012/13.

A number of good practices were noted during the audit including the treasury management policy statement's compliance with the CIPFA code of treasury management; the production of the annual treasury management and investment strategy including prudential indicators; cash flow forecasts being performed on a daily basis; and investments made with institutions which the authority has defined as appropriate, within specified limits.

Management of work needs to be improved, in particular, quality checks should be undertaken on work undertaken by inexperienced officers working within treasury management; logotech needs to be updated promptly to ensure there is an accurate and complete record of the council's investments; cash flow statements should be reviewed on a monthly basis; assessment sheets should be completed and checked for all investments; 'at call' accounts should be reviewed on a monthly basis; and reconciliations should be completed promptly.

Other Financial & Non Financial Systems 2012/13
Limited Assurance Opinion Audits

Directorate	Audit	Report Status
ALL	Attendance Management	Final
	Contract Systems – Kier Construction Central	Draft
	Declaration of Interests, Gifts & Hospitality and Overseas Travel	Final
Children's Services	Children with Disabilities	Final
	Foster Care & Adoption Services	Draft Final
	Initial Response Service	Final
	Looked After Children	Draft
	Safeguarding – Family Support	Draft
	Pool Hayes JMI	Final
Regeneration	Building Services	Final
Resources	Procurement	Draft
Social Care & Inclusion	Benefits Based Charging	Draft
	Independent Sector – Residential & Nursing	Final
	Mental Health S117 (Aftercare)	Draft
	Social Care Operating Model	Draft

Summary of Borderline Significant Assurance Opinion Audits

Directorate	Audit	Report Status
Children's Services	Alumwell Children's Centre	Final
	Blakenall Children's Centre	Final
	St Peters JMI	Final
Computer Audit	Information Security	Final

Attendance Management:

1. Introduction

An audit review of attendance management was undertaken as part of the annual audit plan during October 2012.

The current attendance procedure became effective on 22 October 2010 and applies to all employees with the exception of school based employees. The procedure uses the Bradford factor scoring system to manage absence.

2.	**Objectives**

The objectives of the audit covered the following areas and sought to provide assurance that:

- an approved attendance procedure and guidance exists;
- all staff have access to and are aware of the attendance procedure and guidance which is regularly consulted upon and reviewed with any updates promptly communicated to staff;
- training and briefing sessions are undertaken to promote staff awareness of the attendance procedure and guidance;
- short term sickness absences are effectively managed in accordance with policies and guidance;
- long term sickness absences are effectively managed in accordance with policies and guidance;
- processes relating to the sickness absence reporting are adequate and complied with;
- dismissal processes are properly followed;
- sickness absence statistics are regularly compiled and compared against agreed targets;
- submission of sickness absence documents is appropriately monitored;
- the HRD portal is appropriately utilised; and
- previously agreed audit report actions have been closed/addressed.

3.	**Conclusions**

Generally the design of work operated within the attendance management system is sufficient and effective. However a number of improvements in the management of work (effectiveness of controls) are required.

Some good practices were noted during the audit, including the attendance procedure being readily available on the intranet, reports regarding sickness absence provided to directorate performance board.

Management attention is, however, required to ensure that there is compliance with the council's attendance procedure. In particular checking that self certifications and fit notes are submitted and held on trent and personal files; ensuring that return to work interviews are promptly completed; that appropriate sanctions, including absence reviews and warnings are undertaken and all documentation is completed and signed appropriately; that welfare visits are made and that there is adequate documentary evidence to support this on file; and the review of the attendance procedure should be completed. It was also disappointing to note that there are still a number of prior audit findings which remain unaddressed at the time of this audit.

Contract Systems – Kier Construction Central:

1.   Introduction

An audit review of contract systems for the Grace Academy construction contract with Kier Construction-Central was undertaken as part of the annual audit plan. This contract was selected from a list of high value payments from the council's highest paid suppliers during 2012/13. The contracts systems audit is a compliance audit, testing compliance with the procurement procedures as set out within the council's contract rules.

The project was delivered through the Partnerships for Schools National Framework. Under the framework, the council could procure a project as a stand-alone scheme or do a batched procurement scheme where a sample scheme is procured on the understanding that additional works will then be requested. The council used a batched procurement scheme. This method involved the council going through the procurement process to appoint a contractor for the design and build of Shelfield Academy as the sample scheme and the council then batched the design and build of Grace Academy to the scheme. Kier Construction Limited was awarded both academies as a batched scheme.

The auditor discussed the contract with the design & project manager. It should be noted that he was not the officer that procured the contract; it was procured by a former officer within property services that has now left the authority. The total budget for the project is £22m and the contract with Kier Construction Limited was made on 5 December 2011. Works are still in progress.

2.   Objectives

The objectives of the audit covered the following areas and sought to provide assurance that:

- authority for contracts is granted before they are entered into (section 4);
- existing council contracts, consortium arrangements or framework agreements are used wherever available unless a chief officer has agreed otherwise (section 5);
- the rules governing special contracts have been complied with, where relevant (schools; social care contracts; consultants; and appointment of legal advisors and experts) (section 6);
- sufficiently accessible advertisements are published for proposed contracts and approved lists are used where recurrent transactions of a similar type are likely but where such transactions need to be priced individually (section 7);
- the appropriate procurement process is used to obtain quotations/tenders from suppliers and internal service providers, dependent upon the total contract value (minor, significant, major and strategic contracts) and contracts are not artificial split to avoid the application of the provisions of the regulations and/or the rules (sections 8, 10, 11, 12, 13, 15, 16, 24);

- waivers/exemptions of contract rules are appropriately applied, are approved by a chief officer and are reported to CMT (section 9);
- the regulations are complied with where the total contract value of any major or strategic contract exceeds EU threshold (section 14);
- evidence of quotations and tenders is retained in accordance with the council's document disposal guidelines (section 15, 16);
- tenders are opened after the return deadline and are promptly evaluated by authorised officers or duly appointed consultants in accordance with the evaluation criteria set out in the invitation to tender. The authorised officer's evaluation report offers clear, costed recommendations to the chief officer responsible for accepting the tender (section 17);
- contracts are in place with appointed suppliers, whether by way of official purchase order or by formal written agreement, in a form approved by the Head of Legal and Democratic Services (section 18);
- authorised officers requiring a written contract to be executed under the council's seal provide the Head of Legal and Democratic Services with written confirmation of compliance with the rules and documents to support the authorisation of the contract, including a cabinet decision or evidence of delegated authority for strategic contracts. (section 19);
- executive directors maintain a register of all contracts, subject to the rules, entered into by their Directorate (section 20);
- an authorised officer manages the contract to ensure a contractor complies with the contract's terms, health and safety and other legislation; and the authorised officer reports on the contract progress/completion to chief officers, project board or cabinet as appropriate and examines the contractor's final account (section 21); and
- all contract variations whose value exceeds £50,000 are approved by chief officers. Where variations require additional funding or a change to the council's capital programme, the Chief Finance Officer is consulted prior to the variation being approved. (section 21).

3. **Conclusions**

The design of work (sufficiency of controls) in operation in the contract management of the Kier Construction-Central, Grace Academy contract require improvement as evidence of non-compliance with contract rules was identified. Controls require strengthening to ensure that:

- documentation is retained to support the production of council frameworks to ensure compliance with contract rules and EU procurement legislation;
- written contracts are produced for the appointment of consultants;
- preliminary invitation to tender submissions are retained to ensure the procurement process can be fully evidenced;
- tender returns are submitted to the council via the central post room and evidence of the tender opening process retained;
- tender evaluation documents are retained in accordance with the council's document retention guidelines; and
- contracts are passed to central records for safe storage with a copy retained by the service.

Where controls were in place (management of work), these were found to be generally operating effectively with the exception of the contract with Navigant not being recorded in the contracts register and no evidence being provided to the auditor of contract progress being reported to chief officers, project board or cabinet.

Good practice has been noted as authority to contract was obtained prior to contracting; and existing Partnerships for Schools framework arrangements were used.

Declarations of Interests, Gifts & Hospitality and Overseas Travel:

1.   Introduction

An audit review of declaration of interests, gifts & hospitality and overseas travel was undertaken as part of the 2012/13 annual audit plan.

The requirement for officers and members declarations of interest; and acceptance of gifts and hospitality are stipulated within the Council's constitution. All employees wishing to undertake overseas travel which is funded by the authority are first required to declare the reason for the trip to their line manager for approval. All overseas travel is required to be approved by the chief executive prior to the trip being taken. To ensure that the employee is insured for the duration of the trip, risk and insurance should be notified of all approved overseas trips in order to arrange appropriate travel insurance.

The authority currently has separate templates for staff to declare interests, gifts & hospitality and overseas travel.

2.   Objectives

The objectives of the audit covered the following areas and sought to provide assurance that:

- policies & procedures relating to declaration of interests, gifts & hospitality and overseas trips are up to date, comprehensive and available to all staff and members;
- advice and staff awareness training is readily available and effectively communicated to staff;
- declaration of interests forms have been completed for new employees & members;
- a process has been established to ensure that existing employees and members interests are reviewed and have been declared;
- gifts & hospitality accepted / rejected are appropriately reported, approved and registered and are in compliance with the employees code of conduct; and

- overseas travel is reported to senior management, with clear reasons for the trip identified and all requests are approved by the relevant executive director, verified by the chief executive and maintained in a register.

3. Conclusions

Generally, governance arrangements for the declaration of interests, gifts & hospitality and overseas travel require significant strengthening. Most notably, the employees' code of conduct, in which the council's requirements in respect of declarations of interest and receipt of gifts and hospitality are set out, has not been reviewed for some time. It also appears that an updated but unapproved version of the code is in operation on the intranet. Further, there is no policy setting out the council's expectations and requirements with regard to overseas travel.

Standard forms for declaration of interests, gifts & hospitality and overseas travel have not been reviewed for some time and are not, in the main, easily retrievable on the intranet.

Inconsistencies were noted between the reporting requirements for declaration of interests noted in financial rules and the employees' code of conduct, for example, financial rules signposts declaring employees to the chief finance officer; the employees' code of conduct, signposts declaring employees to the monitoring officer.

The audit has also identified that if an interest is declared, there is no current co-ordinated process to escalate, follow up, monitor or record these declarations, including making the employee's line manager aware of the interest so that appropriate action can be taken. The declaration of interest form template states that if an interest is declared the monitoring officer and executive director should be notified, however, this process is not currently in place and the form is only scanned onto the employee's personal file.

Arrangements for the recording of gifts and hospitality also require strengthening; generally it was noted practice that executive directors' personal assistants hold these registers, however there were some inconsistencies, for example, in the case of neighbourhood services where community safety and leisure held their own registers. In the case of social care and inclusion, no record of gifts and hospitality received had been made, which may be indicative of a lack of awareness of the requirement to declare gifts and hospitality.

Children with Disabilities:

1. Introduction

An audit review of children with disabilities service was undertaken as part of the annual audit plan during February 2013.

The Children Act 1989 places a duty on Children's Services to provide or coordinate the provision of services to all disabled children. The overall provision of these services is a responsibility across children's services and associated health and voluntary sector services. The Children with Disabilities Team, (CWDT) was established to provide a more specialist service to a defined group. The CDWT service transferred from serco to Walsall council in May 2012.

The council received an adverse Ofsted report in July 2012 for children's services and an improvement notice from the Secretary of State for Education. In response to the report and improvement notice, the council has implemented a strategic improvement plan and produced delivery plans to support the actions detailed within the strategic improvement plan.

2. Objectives

The objectives of the audit covered the following areas and sought to provide 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:

  o workforce planning;
  o EPA;
  o equalities;
  o procurement;
  o budgetary control
  o business continuity

  o risk management
  o communications;
  o sickness management;
  o health & safety;
  o information governance; and

- joint working with partners and other council services is effective;
- procurement is adequately controlled and in accordance with the authority's contract rules;
- income, including grant income, is properly accounted for;
- key controls are in place to guard against fraud and irregularity;
- initial contact or referrals are adequately managed and recorded with appropriate authorisation;
- initial assessments are adequately documented and completed which are supported by a core assessment; service or care plan; and a carers assessment;
- there is a designated/dedicated social worker assigned to each case referred or reported to the unit. They are responsible for attending case meetings with parents, support workers and other agencies involved in the case;
- the files on children in public care are regularly reviewed / audited by a senior social worker to verify that documented procedures and guidelines

are being adhered to and that visits/meetings are regular and documented;

- where holiday activities are provided for children, appropriate procedures have been followed and an assessment made on the level of disability living allowance; and
- social workers hours claimed are in accordance with contracts and working time regulations; and arrangements are meeting the demands of service.

3. Conclusions

Both the design (sufficiency of controls) and management (effectiveness of controls) of work in operation within the children with disabilities team require improvement.

Management attention is required in both the management and design of work, in particular, in ensuring that a service delivery team plan is in place and is being monitored; induction processes are in place to ensure employees are informed of all relevant policies and procedures; budget monitoring is regularly undertaken; that referrals and initial assessments are completed promptly in accordance with agreed procedures and ensuring that service user files are up to date and include all relevant documentation.

Foster Care & Adoption Services:

1. Introduction

An audit review of foster care & adoption was undertaken as part of the 2012-13 annual audit plan.

The foster care and adoption service ensures children in need of care within the borough are found appropriate foster care or adoptive placements and that appropriate payments are made to their care providers.

The foster care and adoption teams are responsible for the recruitment of foster and adoptive carers and the subsequent placement of children up to the age of 18 years old with a suitable foster or adoptive care.

2. Objectives

The objectives of the audit covered the following areas and sought to provide 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:

  o workforce planning;   o risk management

- o EPA;
- o equalities;
- o procurement;
- o budgetary control
- o business continuity
- o communications;
- o sickness management;
- o health & safety;
- o information governance; and

- joint working with partners and other council services is effective;
- procurement is adequately controlled and in accordance with the authority's contract rules;
- income, including grant income, is properly accounted for;
- procedures are documented in writing, regularly reviewed and issued to appropriate staff;
- foster care agreements between the council and the foster carer have been established and payments are made via oracle database;
- appropriate paperwork is completed and forwarded to the children's services team in support of all placements made;
- all claims and payments for foster care and adoption allowances are made in accordance with the council's financial and contract rules and any statutory/official guidelines;
- allowances are regularly reviewed and, where appropriate, are in accordance with minimum cost of living;
- any amendments to a placement are promptly notified to the children's services team and appropriate action taken;
- procedures have been established to recover any overpayments made;
- appropriate policies/contracts are in place for the use of agencies for foster care placements;
- key controls are in place to guard against fraud and irregularity; and
- prior audit open findings have been closed/addressed.

3. Conclusions

Generally the design of work operated in the foster care and adoption service is sufficient.

Management attention is, however, required in the management of work, most notably, in ensuring that risk assessment are completed in accordance with the corporate risk assessment format; that the health and safety action plan is located; that a business continuity plan is in place for the service; that contracts relating to the service held on the contracts ledger are reviewed and updated with the correct management information; the contract for social worker assessments is procured; that all supporting paperwork to support foster care and adoption placements and payments, including WSS019, WSS080 and WSS645 forms are fully completed and submitted, along with relevant documentation, to the children's services financial admin & support team promptly for processing; and a central record is held which records all payments made to carers to avoid any duplications.

A number of cross cutting issues were identified while carrying out audits on the initial response team, looked after children team, family placement and

adoption service team and safeguarding and family support teams. These findings have been included in a separate audit report entitled 'children's specialist services - cross cutting issues June 2013'.

Initial Response Service:

1. **Introduction**

    An audit review of initial response service was undertaken as part of the 2012/13 annual audit plan.

    The initial response service within the children's services directorate is responsible for screening and accepting referrals, carrying out initial assessments and child protection enquiries.

    The council received an adverse Ofsted report in July 2012 for children's services and an improvement notice from the Secretary of State for Education. In response to the report and improvement notice, the council has implemented a strategic improvement plan and produced delivery plans to support the actions detailed within the strategic improvement plan. The strategic improvement plan has not been examined in detail during this audit as it is due to be audited separately during 2013/14.

2. **Objectives**

    The objectives of the audit covered the following areas and sought to provide 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:

        o workforce planning;   o risk management
        o EPA;   o communications;
        o equalities;   o sickness management;
        o procurement;   o health & safety;
        o budgetary control   o information governance; and
        o business continuity

    *   joint working with partners and other council services is effective;
    *   procurement is adequately controlled and in accordance with the authority's contract rules;
    *   income, including grant income, is properly accounted for;
    *   key controls are in place to guard against fraud and irregularity;
    *   child protection referrals are appropriately managed;
    *   officers with both a full time and sessional worker contract have been appropriately approved and regularly monitored to ensure the working time directive is not breached;

- prior audit open findings have been closed/addressed.

3. Conclusions

Generally, the design of work within the initial response service is sufficient.

Management attention is, however, required in the management of work, most notably, in ensuring that referral processes and timescales are adhered to in accordance with relevant legislation; the inter-agency working agreement for working with children, young people and families affected by domestic abuse and the domestic abuse response team is agreed with all relevant parties and finalised promptly; procurement and petty cash processes are tightened and complied with; processes for dealing with donations are reviewed and improved; and a process for authorising and monitoring officers with both a full time and sessional worker contract is agreed and documented.

Some good practice was identified during the audit, including regular monitoring and reporting of key performance targets and the delivery plan.

A number of cross cutting issues were identified while carrying out audits on the initial response team, looked after children team, family placement and adoption service team and safeguarding and family support teams. These findings have been included in a separate audit report entitled 'Children's Specialist Services - Cross cutting issues June 2013'.

Looked After Children:

1. Introduction

An audit review of the looked after children service was undertaken as part of the annual audit plan.

The term 'looked after' is applied to a child for whom the authority is providing accommodation, either by a court order or in agreement with the child's parent or guardian.

A child may become looked after as a result of temporary or permanent problems facing their parents or guardian, as a result of abuse or neglect of the child or because of the child's problematic behaviour. Families and communities facing poverty and social breakdown are more likely to need children to be looked after by the Authority.

The looked after children service is responsible for meeting the needs of all children and young people who are being looked after. This could mean children and young people in care homes, those who are waiting to be adopted and those who are waiting to go into foster care. The service is responsible for making sure that each child's or young person's care plan is followed. A care plan is the written report that says what we have agreed to do to help that child or young person. This could mean helping a child to become adopted or helping a child to become part of a foster family. This

could also mean that a child will stay with his or her parents and we will agree other ways to help.

The council received an adverse Ofsted report in July 2012 for children's services and an improvement notice from the Secretary of State for Education. In response to the report and improvement notice, the council has implemented a strategic improvement plan and produced delivery plans to support the actions detailed within the strategic improvement plan. The strategic improvement plan has not been examined in detail during this audit as it is due to be audited separately during 2013/14.

2. Objectives

The objectives of the audit covered the following areas and sought to provide 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:

  o workforce planning   o risk management
  o EPA   o communications
  o equalities   o sickness management
  o procurement   o health & safety
  o budgetary control   o information governance
  o business continuity

- 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;
- referrals are effectively managed;
- an assessment of the children's needs are undertaken promptly;
- care required is adequately approved and documented within a care plan;
- demand for the service and the associated costs are regularly monitored and assessed;
- key controls are in place to guard against fraud and irregularity; and
- prior audit open findings have been closed/addressed.

3. Conclusions

Generally the design (sufficiency of controls) of work in operation within the looked after children team is sufficient.

Management attention is, however, required in the management of work (effectiveness of controls), most notably, to ensure that delivery plans and team plans have minuted evidence of approval and have been finalised; the

team training plan is produced; staff appraisals are completed; amendments to governance arrangements for Children & Young People's Partnership Board and the Walsall Safeguarding Children Board are agreed and approved; management decision records are completed monthly to evidence the social worker and team manager case reviews; there is evidence that social workers have seen children on their case load every 6 weeks; information is promptly recorded on Paris; and care plans are promptly authorised by a manager.

Some good practices were noted during the audit, including the demand for the service being monitored and performance being compared to other authorities; and the analysis of OFSTED reports for other authorities to identify good practice.

A number of cross cutting issues were identified while carrying out audits on the initial response team, looked after children team, family placement and adoption service team and safeguarding and family support teams. These findings have been included in a separate audit report entitled 'Children's Specialist Services - Cross cutting issues June 2013'.

Safeguarding – Family Support:

1.   Introduction

An audit review of safeguarding children & family support was undertaken as part of the annual audit plan.

The safeguarding and family support team works with children and families who have been assessed by the initial response team as requiring a detailed assessment following receipt of a potential child protection referral.

There is a designated administration team that support the safeguarding and family support team.

The council received an adverse Ofsted report in July 2012 for children's services and an improvement notice from the Secretary of State for Education. In response to the report and improvement notice, the council has implemented a strategic improvement plan and produced delivery plans to support the actions detailed within the strategic improvement plan. The strategic improvement plan has not been examined in detail during this audit as it is due to be audited separately during 2013/14.

2.   Objectives

The objectives of the audit covered the following areas and sought to provide 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:

  o workforce planning
  o EPA
  o equalities
  o procurement
  o budgetary control
  o business continuity

  o risk management
  o communications
  o sickness management
  o health & safety
  o 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;
- key controls are in place to guard against fraud and irregularity;
- there are sufficient processes in place to regularly monitor the quality of the safeguarding children provision;
- all child protection referrals, investigations and protection plans are appropriately managed;
- closure of child protection cases are documented and authorised; and
- prior audit open findings have been closed/addressed.

3. Conclusions

Both the design (sufficiency of controls) and management (effectiveness of controls) of work in operation within the safeguarding team requires improvement.

Good practice has been noted. The demand for the service is being monitored and performance compared to other authorities is monitored; including the analysis of OFSTED reports for other authorities to identify useful.

Management attention is, however, required to ensure that delivery plans and team plans have minuted evidence of approval and have been finalised; a team training plan is produced; staff appraisals are completed; amendments to governance arrangements for joint working teams are agreed and approved; the budget is set and monitored to ensure over-spends do not occur; the list of recommended child support payment rates is updated and kept up to date; the discrepancy between the Spendvision transactions and cash in hand is investigated and resolved; purchase card transactions are checked and authorised by an independent officer; and cases are managed in accordance with the council's timescales.

It was also disappointing to note that only 4 of the 17 prior audit findings had been addressed at the time of this audit.

A number of cross cutting issues were identified while carrying out audits on the initial response team, looked after children team, family placement and adoption service team and safeguarding and family support teams. These

findings have been included in a separate audit report entitled 'Children's Specialist Services - Cross cutting issues June 2013'.

Pool Hayes JMI:

1. Introduction

An audit review of Pool Hayes Primary School was undertaken as part of the annual audit plan during December 2012.

Pool Hayes primary is located within the Willenhall area of the borough and is of similar size to most primary schools in the country. It has 206 pupils on roll aged 3-11 with most pupil of White British heritage and few from minority ethnic backgrounds. It had it most recent Ofsted inspection in October 2009 where the school was graded as 'satisfactory'.

The school has achieved 'Healthy School's and 'Activemark' accreditations.

2. Objectives

The audit was based on the Ofsted / Audit Commission publication Keeping Your Balance – Standards for Financial Management in Schools and covered the following areas of activity:

- Governance
- Financial Planning
- Budget Monitoring
- Purchasing
- Financial Controls
- Income Controls
- Banking (including LMS Bank Account)
- Payroll
- Petty Cash
- Tax
- Voluntary Funds
- Extended Activities
- Assets and Security
- Insurance
- Information Governance

3. Conclusions

Generally, the design (sufficiency of controls) and management (effectiveness of controls) of work in operation at Pool Hayes Primary School require some improvement, most notably in the areas of management of the voluntary fund and extended activities. Income controls require strengthening to ensure that record keeping is adequate and registers are kept up-to-date and include amounts collected for each child; transfer of income between employees should be recorded; and school fund reconciliations are carried out to verify

account balances and to ensure that discrepancies are identified and addressed promptly.

Some good practices were noted during the audit, including the implementation of school development plan actions, for example there is RAG system, (Red, Amber and Green) for each action and it reflects the status of these; effective budget monitoring undertaken; and clear reconciliations carried out regarding the LMS bank account.

Building Services:

1.   Introduction

An audit review of building services was undertaken as part of the 2012/13 annual audit plan.

Building services are responsible for the following 3 areas:
- day-to-day maintenance and repairs across all council buildings, including libraries, leisure centres, social services establishments and youth centres. A range of contractors are used for these works, the main contractor being Mitie;
- refurbishment and minor works for projects up to the value of approximately £300,000. The works relate to; electrical (wiring, lighting), mechanical (radiator, plumbing) and building (extensions, roofing). Projects over £300,000 are generally dealt with and managed by the design procurement team; and
- statutory testing, including; asbestos, legionella, fire safety, emergency lighting, electrics and appliances.

2.   Objectives

The objectives of the audit covered the following areas and sought to provide 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;
  - EPA;
  - equalities;
  - procurement;
  - budgetary control
  - business continuity
  - risk management
  - communications;
  - sickness management;
  - health & safety;
  - information governance; and
- joint working with partners and other council services is effective;
- procurement is adequately controlled and in accordance with the authority's contract rules;

- income, including grant income, is properly accounted for;
- there is adequate project monitoring and reporting;
- key controls are in place to guard against fraud and irregularity;
- prior audit open findings have been closed/addressed.

3. Conclusions

Both the design and management of work within the systems operated in building services require significant strengthening, with particular attention to:
- controls in relation to the tendering of works, notably, in ensuring that tenders are opened by officers of an appropriate level; there is documentation to support approval of recommended contractors by schools; and sufficient documentation is held to support the tender and selection process of suitable contractors.
- controls governing the monitoring of works/projects, in ensuring that; monitoring processes for school, council capital and statutory testing works are clearly defined and consistently followed by all officers involved; there is sufficient documentation to support site visits, contract meetings, discussions/decisions and the closure stage of works; the use of contractors and value of works awarded is monitored closely; and that performance is measured.
- the management of fees and charges, in ensuring that there is formal review and approval of service fees and charges which is supported by sufficient documentation.

Procurement:

1. Introduction

An audit review of procurement was undertaken as part of the 2012/13 annual audit plan.

Walsall Council purchases supplies and services which range in value, with invoices worth £540m being paid via Oracle Accounts Payable system for the period 1 April 2012 to 31 March 2013. The council must comply with European and UK laws, especially with regard to higher value contracts.

The council has a procurement team based within the resources directorate which offers assistance and advice with procurement activities to all directorates.

The procurement arrangements across all council directorates have been examined via a questionnaire and by examination of a selection of contracts identified from contracts registers.

2. Objectives

The objectives of the audit covered the following areas and sought to provide assurance that:

- policies and procedures have been established to ensure that procurement systems comply with legislation, professional/best practice and the organisation's requirements, standards and objectives;
- arrangements are in place to identify strategic areas of highest spend to ensure that prompt and effective procurement activity is undertaken to deliver savings;
- appropriate consultation is undertaken with relevant staff to ensure that needs assessments are undertaken from both a managerial and operational perspective;
- the process in which partners and suppliers are selected and contracts are developed is fully documented and records are created and maintained to evidence all business activities and demonstrate reasonable care;
- performance reporting and benchmarking activities are such that enable appropriate monitoring of contracts;
- the scope to incorporate e-enabled procurement activities is investigated where appropriate and, following the appointment of a contractor, reviewed to assess the benefit of the process; and
- prior audit open findings have been closed/addressed.

3. Conclusions

Generally, the design (sufficiency of controls) and management (effectiveness of controls) of work in operation within procurement activity require improvement. Most notably, controls require strengthening to ensure that:
- the procurement code is produced and issued, or references to it removed from contract rules;
- reporting of areas of highest spend is improved;
- effectiveness of delivery of savings is reported;
- contracts are procured in accordance with contract rules requirements, including proper authority to commence a procurement and authority to act under urgency;
- needs assessments are performed for procurement projects;
- directorate contract registers are fully completed prior to a centralised contracts register being finalised;
- a decision is taken on the future need for a procurement strategy and a corporate commissioning framework;
- a staff training plan is established; and
- procurement performance is monitored.

Good practice has been noted as e-enabled procurement activities have now been embedded.

The 10 prior audit open findings from the previous audit report have not yet been addressed.

Benefits Based Charging:

1.   Introduction

An audit review of benefits based charging was undertaken as part of the annual audit plan.

Benefits based charging was implemented for non residential care services in April 2011. A 'Non residential care services – Charging Policy' was developed detailing how the benefits based charging is to be applied in Walsall and approved by Cabinet. This policy was subsequently updated in July 2012 and entitled 'Benefits-based contribution policy – service user contributions to their community based support.'

The premise underpinning the benefits based charge model is that disability related benefits are paid to a service user to fund the costs of meeting their disability, which in turn are directly related to the cost of care provided by the local authority. The benefits based charge for each client is based on the disability related benefits that a client is entitled to, not the level of care they are receiving.

2.   Objectives

The objectives of the audit covered the following areas and sought to provide assurance that:

- policies and procedures are in accordance with guidance;
- the assessment process is robustly applied, managed and recorded;
- income is received on a prompt and timely basis;
- exemptions are adequately controlled;
- reviews and appeals procedures are robust;
- arrears are monitored;
- complaints are adequately managed;
- procedures for backdated charges are robust;
- review and monitoring procedures are in place;
- management information is provided on a timely basis; and
- prior audit open findings have been closed/addressed.

3.   Conclusions

Generally, both the design (sufficiency of controls) and management (effectiveness of controls) of work in operation within benefits based charging require improvement. Most notably, controls require strengthening in that:
- the 'benefits-based contribution policy – service user contributions to their community based support' is approved appropriately;
- a complete set of procedures are developed for the integrated business processes and services team;
- a service level agreement between the welfare rights service and the social care & inclusion directorate is developed;

- controls in relation to the assessment process require improvement;
- a formal process for reviews and appeals should be put in place;
- procedures for income and recovering arrears require improvement; and
- the possibility of interfacing between Oracle and the custom card system to prevent the need for manual intervention should be explored .

Some good practices were noted during the audit, including; complaints handling and exemption processes.

Independent Sector – Residential & Nursing:

1. **Introduction**

   An audit review of independent sector residential & nursing was undertaken as part of the 2012/13 annual audit plan.

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

   The 2012/13 budget for residential & nursing was £21,644,712, net of client contributions. The outturn for 2012/13 was £23,332,195, an overspend of £1,687,483 due to demand for services. In 2012/13 there were approximately 900 residential and nursing clients receiving care facilitated by the council.

   Independent sector – residential & nursing was last audited in 2009/10 and the final audit report was issued on 1 September 2010 and reported to audit committee on 7 December 2010. A follow up audit was undertaken in 2011/12 and the final report was issued on 9 August 2012 showing that significant progress had been made by the service area to improve and close prior open audit findings.

2. **Objectives**

   The objectives of the audit covered the following areas and sought to provide assurance that:

   - procedures are comprehensively and appropriately documented; and available to all relevant staff;
   - independent service provider vetting and quality assurance 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;
   - performance management is maintained; and

- previously agreed audit report actions have been fully implemented.

3. Conclusions

Management attention is required in the design of work (sufficiency of controls) and management of work (effectiveness of controls) in operation within the independent sector, residential and nursing system. This is required, most notably, in:
- the monitoring and vetting of independent care providers;
- the management and administration of contracts and procurement;
- ensuring that client contributions are promptly and accurately assessed;
- ensuring that care provider and client contributions arrears and overpayments are investigated and addressed promptly; and
- making appropriate provisions to ensure that independent sector residential and nursing costs remains within budget.

Some good practices were noted during the audit, including; the completion of annual benchmarking and a social care & inclusion scorecard which is reported to the social care & inclusion performance review board quarterly.

Mental Health S117 (Aftercare):

1. Introduction

An audit review of Mental Health Section 117 - Aftercare was undertaken as part of the annual audit plan.

Everyone with mental health needs is entitled to a community care assessment to establish what services they might need. Section 117 imposes a duty on health and social services to provide aftercare services to certain patients who have been detained under the Mental Health Act 1983. The Council entered into a formal agreement with the Primary Care Trust, Dudley MBC and Dudley Primary Care Trust in forming the Dudley and Walsall Mental Health Trust. The Trust provides, in co-operation with relevant voluntary agencies, aftercare services for any person to whom this section applies until such time as the Primary Care Trust or Health Authority and the local social services authority are satisfied that the person concerned is no longer in need of such services.

Section 117 states that aftercare services must be provided to patients who have been detained in hospital:
- for treatment under Section 3 (detention for treatment up to 6 months or beyond);
- under a hospital order pursuant to section 37 (with or without a restriction order) – offenders seen before a court; and
- following transfer from prison under section 47 (sentenced prisoners) or 48 (those on remand or convicted and awaiting sentencing).

2. Objectives

The objectives of the audit covered the following areas and sought to provide 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:

  - equalities;
  - budgetary control;
  - information governance;
  - risk management;
  - communications;

- joint working with partners and other council services is effective;
- key controls are in place to guard against fraud and irregularity;
- service information can be easily accessed by service users;
- the entitlement criteria for those under section 117 is clearly defined, documented and approved;
- referrals are effectively managed;
- an assessment of service user needs is undertaken promptly and regularly reviewed thereafter;
- care required is adequately approved and documented within a care plan;
- demand for the service and the associated costs are regularly monitored and assessed; and
- procedures have been documented and issued to relevant officers.

3. Conclusions

The design of work (sufficiency of controls) and management of work (controls are in place) within the systems operated for mental health section 117 aftercare services require improvement. Due to unavailability of data from the Dudley and Walsall Mental Health Trust during the review, the auditor was unable to verify that the entitlement system is properly managed or that service user assessments are accurate, timely and properly approved. Potential for improvement has been identified in ensuring that:
- data sharing arrangements are in place to allow Walsall Council staff required access to service user data;
- evidence of entitlement to section 117 aftercare is robustly checked at initial stages;
- managers obtain sufficient assurance to satisfy themselves that the system of entitlement is fairly and appropriately managed and that assessments are carried out on time and are properly approved; and
- written procedures are prepared and agreed with the Trust to help clarify and optimise day to day joint working arrangements.

Some areas of good practice were noted during the audit, including establishing an overarching annual strategy required to achieve success for

the Dudley and Walsall Mental Health Trust (DWMHT) together with a year end report on the Trust's performance, exploring all key communication channels in promoting the service and making available key information to the public; and the finalising of the section 75 document to enable all major roles and responsibilities to be agreed formally in writing.

Social Care Operating Model:

1. **Introduction**

   An audit review of the social care & inclusion new operating model was undertaken as part of the annual audit plan.

   The operating model was introduced in response to the Department of Health, Local Authority Circular (2008) regarding transforming social care. Following a change of government, the above guidance was archived and "A Vision for Adult Social Care: Capable Communities and Active Citizens" was launched in replacement on 16 November 2010, the aim of which was to make services more personalised, more preventative and more focused on delivering the best outcomes for those who use them. It challenges councils to provide personal budgets, preferably as direct payments, to everyone eligible within the next two years. Following the appointment of the executive director, a new operating model was produced in 2011. The model has been reviewed by the interim executive director and a revised version was launched on 30 April 2013 at the social care managers' forum.

   The social care & inclusion operating model is designed to keep citizens independent for longer.

2. **Objectives**

   The objectives of the audit covered the following areas and sought to provide assurance that:

   • the operating model has been appropriately approved;
   • services have been redesigned so that the operating model can be effectively delivered;
   • responsibilities and accountabilities within the operating model have been clearly defined;
   • the operating model has been communicated to all appropriate staff and key stakeholders;
   • the operating model is deliverable within the current budget constraints and is regularly monitored; and
   • plans are in place to determine the success / impact of the operating model along with benefits realised.

3. **Conclusions**

   The social care operating model was produced in 2011 and is published on the internet. The model has recently been reviewed and updated and was

launched on 30 April 2013 at the social care managers forum but has not yet been publicised on the internet. Both models have been examined during the audit. The design of work within the social care & inclusion operating model requires significant strengthening, with particular attention to:

- including all relevant services in future mapping exercises;
- undertaking mapping exercises and amending structures accordingly to maximise the impact of the operating model;
- launching the updated operating model to key stakeholders and publicising it on the intranet / internet;
- producing a project plan to document key tasks;
- ensuring the number of service users / costs of the service for each component of the operating model are regularly measured to allow the effectiveness of its implementation to be reviewed; and
- producing performance measures for consideration at the directorate performance review board to show whether the process has been successful and benefits realised from the operating model.

Alumwell Children's Centre:

1.   Introduction

An audit review of Alumwell children's centre was undertaken as part of the annual audit plan during June 2012. Alumwell Children's Centre transferred to the local authority on 1 April 2012. The centre had previously been part of the Serco education contract, with Serco sub-contracting this particular centre to the NHS.

The centre is in essence split into 2 sections: the community side and the nursery side. The community side is funded through the early intervention grant (EIG) which all children's centres receive. This covers all necessary expenditure relative to this side of the centre. The nursery is effectively run as a business and is required to break even year on year with all income covering expenditure incurred, including salaries.

2.   Objectives

The objectives of the audit covered the following areas and sought to provide 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
    - EPA

    - risk management
    - communications

- equalities
- procurement
- budgetary control
- business continuity
- 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 August 2006 and contract rules September 2010;
- income, including grant income, is properly accounted for.
- key controls are in place to guard against fraud and irregularity;
- prior audit open findings have been closed/addressed.

3.   Conclusions

Generally, there is a sound design of work (sufficiency of control) in operation at Alumwell children's centre. Some good practices were noted during the audit, including, regular monitoring of centre action plans, robust performance monitoring and various customer consultation activities being undertaken.

Management attention is, however, required in the management of work (effectiveness of control) in ensuring that the programme manager goes through a thorough induction process and is made fully aware of council polices and procedures; controls over procurement and income are improved; timesheets are reconciled accurately to supporting records; inventory controls are strengthened; and insurance limits for the safes are clarified.

It should be noted that the centre has recently transferred to the council and therefore there are a number of council policies and procedures which the programme manager is unaware of. As a result of this, council practices have not yet been embedded at the centre.

Blakenall Children's Centre:

1.   Introduction

An audit review of Blakenall children's centre was undertaken as part of the annual audit plan during July 2012. The centre is directly managed by Serco and therefore staff at the children's centre are Walsall Children's Services – Serco employees.

The centre is in essence split into 2 sections: the sure start side and the nursery side. Sure start is funded through the early intervention grant (EIG) which all children's centres receive. This covers all necessary expenditure relative to this side of the centre. The nursery is effectively run as a business and is required to break even year on year with all income covering expenditure incurred, including salaries. However at the time of the audit, the legal framework of the sure start nursery was unclear. The nursery has its own bank account with all income and expenditure relating to the nursery

passing through this account. The account is established in the name of 'the partners sure starters nursery'.

2. Objectives

The objectives of the audit covered the following areas and sought to provide 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
• EPA	• communications
• equalities	• sickness management
• procurement	• health & safety
• budgetary control	• information governance
• business continuity	

- joint working with partners and other council services is effective;
- procurement is adequately controlled and in accordance with the authority's financial rules 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

Generally, both the design (sufficiency of controls) and management (effectiveness of controls) of work in operation at Blakenall children's centre require improvement. Most notably, controls require strengthening in ensuring minutes of the partnership board are undertaken independently; examining the nursery's financial viability; ensuring that risk management action plans are produced; reviewing arrangements for procurement; income; inventory processes; and clarifying insurance limits for the safe.

The legal framework of the sure starters nursery should be clarified as a matter of urgency to establish who is the accountable body. This will be raised in a separate report to the Head of Service -Early Intervention, Children Services & Children's Partnerships. In addition the bank account arrangements should be reviewed to ensure that the income is secure and is achieving the best rate of return.

Some good practices were noted during the audit, including; a newsletter is also produced on a quarterly basis to inform parents of services offered and an up to date business continuity plan being in place.

St Peters JMI:

1. Introduction

An audit review of St Peter's Catholic Primary School was undertaken as part of the annual audit plan during January 2013.

St Peter's is located at Lichfield Road, Bloxwich, Walsall. It is smaller than the average primary school. Most pupils are White British, the remainder representing a range of other ethnicities. The proportion of disabled pupils and those with special educational needs is below that seen nationally. The most recent Ofsted inspection was carried out in February 2012 where the school was rated as 'satisfactory'.

2. Objectives

The audit was based on the Ofsted / Audit Commission publication Keeping Your Balance – Standards for Financial Management in Schools and covered the following areas of activity:

• Governance
• Financial Planning
• Budget Monitoring
• Purchasing
• Financial Controls
• Income Controls
• Banking (including LMS Bank Account)
• Payroll
• Petty Cash
• Tax
• Voluntary Funds
• Extended Activities
• Assets and Security
• Insurance
• Information Governance

3. Conclusions

Generally, the design (sufficiency of controls) and management (effectiveness of controls) of work in operation at St Peter's School require some improvement, most notably in the areas of ensuring the terms of references for the Headteacher and committees are formally agreed; the business continuity and emergency plans are formally approved along with the whistle blowing policy; ensuring income received in relation to the school fund and extended activities accounts is signed for by appropriate officers; monthly reconciliations are completed for all bank accounts; and ensuring both school fund and extended activity accounts are audited and presented to the governing body within 3 months of the accounting period ending.

Some good practices were noted during the audit, including the detailed school development plan which covers 2013-2016; regular effective monitoring of the school budget; and detailed and comprehensive inventory records.

Information Security:

1.   Introduction

An audit review of information governance was undertaken as part of the 2012/13 audit plan.

Following a data protection breach at the Council involving a third party contractor the Information Commissioner's Office required an undertaking from the Council to review and improve its compliance with the seventh principle of the Data Protection Act. As a result of this undertaking the Council has implemented a series of information governance policies, governance and control processes.

2.   Objectives

The objectives of the audit covered the following areas and sought to provide assurance that:

- processes and controls have been established to ensure the appropriate handling and processing of data by third parties;
- a culture of secure information management awareness is promoted and formal training to staff is performed and monitored;
- formal information governance mechanisms and processes are in place across the council and are operating effectively;
- there is regular reporting of information compliance and data management to senior officers and corrective action is taken to address any issues/non-compliance; and
- prior audit open findings have been closed/addressed.

3.   Conclusions

An information security management audit was performed in May 2010 which gave limited assurance over the processes and controls in place. In August 2011, the Council signed a formal undertaking with the Information Commissioners Office to ensure that personal data is processed in accordance with the 7th principle of Data Protection Act, that personal data must be securely kept. This audit has assessed the corrective actions put in place by management as well as the supporting internal information governance controls. The status of these actions, and assessment of them, is summarised below.

Action	Audit Comment
Any processing of personal data carried out by a data processor	Procurement and legal have been provided with both contract clauses and a

Action	Audit Comment
(third party) on behalf of the data controller (Council) is completed under a contract made and evidenced in writing, and that the data processor will only act under instruction from the data controller.	Data Processing Agreement for use with new and existing third parties. In addition existing suppliers have been asked through a letter to agree to abide by the seventh principle of the Data Protection Act. However, currently not all third parties, both new and existing, have provided a response to agree to the Council's newly stipulated requirements.
Adequate security checks are carried out on the data processor's staff, and such staff will be made aware of the data controller's security policy for handling personal data.	In addition to the introduction of the Data Processor Agreement and revised contract clauses, a process for implementing Information Security Assessments has been established for new third parties. However, this process does not provide coverage of existing supplier arrangements and the approach the Council is going to take in performing these is yet to be formalised.
Sufficient guarantees are obtained in respect of technical and organisational security measures provided by the data processor.	The Council has required third parties to confirm their adherence to measures issued initially in the Data Processing Letter and more recently in the Data Processing Agreement. However, a number of third parties are yet to provide their guarantees to the Council.
Data processor compliance with the data controller's polices on data protection, information security and the retention of personal data is appropriately and regularly monitored.	Information Security Assessments have been introduced to the risks associated to the use of third parties. Currently these are used for new third parties, however, the approach for rolling this out to existing third parties is yet to be formalised.
The data controller shall implement such other security measures as it deems appropriate to ensure that personal data is protected against unauthorised and unlawful processing, accidental loss, destruction, and/or damage.	The Council has introduced a number of measures and controls over the past year to enhance data security, namely: USB and laptop encryption, screen lock out timing and secure printing. Awareness campaigns have been running across the Council for staff and Councillors, and Information Asset Owners and Information Champions have been established and have been provided with bespoke training by an external party.

Action	Audit Comment
	New training materials have been created and a training plan implemented by the Council. However, as of April 2013 only 50% of staff had completed the mandatory Level 1 Protecting Information Course. 10 out of 60 elected members had yet to complete the mandatory training. It was noted that some staff at the Council have undertaken supplementary information governance and information security training over basic mandated levels.

In conclusion it has been noted that the Council has undertaken significant activity towards demonstrating compliance with the areas outlined for action in the undertaking, including Council-wide awareness raising, the introduction of Data Processor letters and agreements and the implementation of security measures such as USB and laptop encryption. In addition the Council has begun to establish wider information governance structures and processes. However there still remain a number of areas where the arrangements established require further development and improvement.

Management attention is needed in continuing to strengthen third party (data processor) understanding of established statutory requirements and revised information governance protocols adopted by the Council; implementing robust monitoring processes around third party compliance with required information governance and data management protocols; and ensuring that all staff and members have completed the required minimum level of training in respect of information governance and data management.

Implementation of the actions contained within the action plan will strengthen arrangements further.

AUDIT	REPORT STATUS	ASSURANCE OPINION
CHILDREN'S SERVICES		
Childrens Centres	Final	Significant Progress
Commissioning	Final	Significant Progress
Kings Hill JMI	Final	Significant Progress
Millfield JMI	Final	Significant Progress
Rough Hay JMI	Final	Significant Progress
NEIGHBOURHOOD SERVICES		
Coroner	Final	Significant Progress
New Art Gallery	Final	Significant Progress
Skip Permit Income	Final	Significant Progress
RESOURCES		
Electoral Services	Final	Significant Progress
Pay & Grading	Draft Final	Significant Progress
SOCIAL CARE & INCLUSION		
Charging Policies & Application	Final	Limited Progress
Community Alarm Service	Final	Significant Progress
Community Mental Health Integrated Team	Final	Limited Progress
Pinfold Centre	Final	Significant Progress
ALL		
Partnership Frameworks	Final	Significant Progress

**Action Plan for Areas of Non or Partial Conformance with the
Public Sector Internal Audit Standards**

PSIAS No:	Conformance with the Standard	Y	P	N	Evidence / Comment	Action	Responsibility / Timescale
8	Does the internal audit charter: (a) Establish the responsibility of the Audit Committee and also the role of the statutory officers (such as the chief finance officer (CFO), the monitoring officer and the head of paid service) with regards to internal audit?		✓		The audit charter establishes the responsibility of the Audit Committee, the chief finance officer and the head of paid service (chief executive), but not the role of the monitoring officer.	On its next revision, the charter will be updated to include the responsibility of the monitoring officer with regards to internal audit.	Head of Internal Audit 31 January 2014
14	Does the head of internal audit (HoIA) report to an organisational level equal or higher to the corporate management team?			✓	The HoIA reports to the CFO, who reports to the executive director, resources, who reports to the chief executive. The HoIA attends the Audit Committee, has unfettered access to all confidential papers / matters, has direct and unfettered access to and meets frequently with the chief executive; and has direct and unfettered access to members, including Cabinet and Audit Committee.	None required. Arrangements are considered sufficient.	N/A

PSIAS No:	Conformance with the Standard	Y	P	N	Evidence / Comment	Action	Responsibility / Timescale
18	Does the Audit Committee: a) approve the internal audit budget and resource plan?		✓		a) The Audit Committee approves the resource plan but not the budget. The budget is approved by council following the corporate budget planning process informed by the executive's priorities and medium term financial strategy. The Audit Committee are notified in the HoIA's 6 monthly reporting whether audit resources are sufficient.	None required. Arrangements are considered sufficient.	N/A
	b) Approve decisions relating to the appointment and removal of the HoIA?			✓	b) The decision to appoint or remove a head of internal audit is made in accordance with the council's HR policies. The Audit Committee would be notified of the outcome of such a decision.	None required. Arrangements are considered sufficient.	N/A
19	Does the Chief Executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the HoIA?			✓	The chief executive or equivalent does not undertake, countersign, contribute feedback to or review the performance appraisal of the HoIA.	The Chief Finance Officer will request feedback from the Chief Executive for the performance appraisal of the Head of Internal Audit.	Assistant Director - Finance 30 September 2013

PSIAS No:	Conformance with the Standard	Y	P	N	Evidence / Comment	Action	Responsibility / Timescale
20	Is feedback sought from the chair of the audit committee for the HoIA's performance appraisal?			✓	Feedback is not sought from the chair of the audit committee for the HoIA's performance appraisal.	The Chief Finance Officer will request feedback from the Chair of Audit Committee for the performance appraisal of the Head of Internal Audit.	Assistant Director - Finance 30 September 2013
38	Does the HoIA ensure that up to date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?		✓		Job descriptions / employment specifications are reviewed / updated on recruitment; and were also reviewed as part of the pay & grading process. A review across all posts would be good practice and is due.	Job descriptions / employment specifications will be reviewed and updated.	Head of Internal Audit 31 October 2013
45	Do internal auditors exercise due professional care during a consulting engagement by considering the: a) Cost of the consulting engagement in relation to potential benefits?		✓		A risk assessment is undertaken prior to progressing any unplanned work. While an assessment of resources is considered as standard, the assessment does not include an assessment of the cost of the consulting engagement compared to potential benefits.	The unplanned risk assessment format will be updated to include a section regarding the cost of the consulting engagement compared to potential benefits.	Audit Managers 30 September 2013
50	Has the HoIA developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be		✓		The HoIA has developed a QAIP but this needs to be updated to reflect the new requirements within the PSIAS.	The audit manual will be updated to reflect the QAIP compliance with the PSIAS.	Audit Managers 31 October 2013

PSIAS No:	Conformance with the Standard	Y	P	N	Evidence / Comment	Action	Responsibility / Timescale
	evaluated?						
63	Has an external assessment been carried out or is planned to be carried out, at least once every five years?			✓		Conformance with the PSIAS will be self assessed annually and subject to external assessment at least every 5 years.	Head of Internal Audit 30 September 2013
64	Has the HOIA considered the pros and cons for the different types of external assessment (ie 'full' or self-assessment plus 'independent validation')?			✓		Conformance with the PSIAS will be self assessed annually and subject to external assessment at least every 5 years.	Head of Internal Audit 31 January 2014
65	Has the HOIA discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the Audit Committee?			✓		The HOIA will discuss the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the Audit Committee.	Head of Internal Audit 31 January 2014
66	Has the HOIA agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?			✓		The HOIA will agree the scope of the external assessment with an appropriate sponsor.	Head of Internal Audit 31 January 2014
67	Has the HOIA agreed the scope of the external assessment with the external assessor or assessment team?			✓		The HOIA will agree the scope of the external assessment with the external assessor or assessment team.	Head of Internal Audit 31 January 2014
68	Has the assessor or assessment team demonstrated its competence in both			✓		It will be ensured that the assessor or assessment	Head of Internal Audit

PSIAS No:	Conformance with the Standard	Y	P	N	Evidence / Comment	Action	Responsibility / Timescale
	areas of professional practice of internal auditing and the external assessment process?

Competence can be determined in the following ways:
a) Experience gained in organisations of similar size
b) Complexity
c) Sector (ie the public sector)
d) Industry (ie local government), and
e) Technical experience.

Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member. | | | | | team are able to demonstrate their competence in both areas of professional practice of internal auditing and the external assessment process. | 31 January 2014 |
| 69 | How has the HOIA used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment? | | | ✓ | | The HOIA will use her own professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment. | Head of Internal Audit

31 January 2014 |
| 70 | Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity | | | ✓ | | It will be ensured that the assessor or assessment team does not have any real or apparent conflicts of interest with the organisation. | Head of Internal Audit

31 January 2014 |

PSIAS No:	Conformance with the Standard	Y	P	N	Evidence / Comment	Action	Responsibility / Timescale
	belongs?						
134	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following: a) Objectives? b) Scope? c) The respective responsibilities of the internal auditors and the client and other client expectations?		✓		A risk assessment is undertaken prior to progressing any unplanned work which includes consulting engagements. Processes need to be updated to ensure the audit section's approach to consulting engagements is fully compliant with the PSIAS.	Processes will be updated to ensure the audit section's approach to consulting engagements is fully compliant with the PSIAS.	Audit Managers 31 October 2013
135	For significant consulting engagements, has this understanding been documented?		✓		As 134.	As 134.	As 134.
144	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?		✓		As 134.	As 134.	As 134.
145	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?		✓		As 134.	As 134.	As 134.
149	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?		✓		As 134.	As 134.	As 134.
150	Where significant consulting		✓		As 134.	As 134.	As 134.

PSIAS No:	Conformance with the Standard	Y	P	N	Evidence / Comment	Action	Responsibility / Timescale
	opportunities have arisen during an assurance engagement, where the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?						
151	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?		✓		As 134.	As 134.	As 134.
153	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?		✓		As 134.	As 134.	As 134.
187	Do internal auditors report that engagements are '*conducted in conformance with the PSIAS*' only if the results of the QAIP support such a statement?			✓	The PSIAS is a new standard. Following this self assessment, a statement will be added to audit documentation.	The PSIAS is a new standard. Following this self assessment, a statement will be added to audit documentation.	Audit Managers 30 September 2013
188	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: a) The principle or rule of conduct of the code of ethics or standard(s) with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results?			✓	The PSIAS is a new standard. Where any non conformance is identified, this will be reported in accordance with the PSIAS.	Where any non-conformance with the PSIAS impacted on a specific engagement, communication of the results will disclose the following: a) The principle or rule of conduct of the code of ethics or standard(s) with which full conformance was not achieved.	Head of Internal Audit 30 September 2013

PSIAS No:	Conformance with the Standard	Y	P	N	Evidence / Comment	Action	Responsibility / Timescale
						b) The reason(s) for non-conformance. c) The impact of non-conformance on the engagement and the engagement results.	
204	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?		✓		As 134.	As 134.	As 134.