


<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM</b>
5 MARCH 2007	
<b>INTERNAL AUDIT: ACTIVITY FOR THE NINE MONTHS ENDING 31 DECEMBER 2006</b>	
<p><b>Summary of report:</b> This report presents internal audit's activity for the nine months ended 31 December 2006, outlining ongoing and completed work and providing performance information.</p>	
<p><b>Background papers:</b> Internal audit reports/quarterly monitoring reports.</p>	
<p><b>Reason for scrutiny:</b> The audit committee's activities include ensuring that an effective internal control environment is maintained and regular and ongoing scrutiny of internal audit work. This report supports the committee in exercising that role.</p>	
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. To note that as at quarter 3 of 2006/7 Internal Audit had delivered on all of its performance targets; maintaining a high level of overall performance for the year.</li> <li>2. To select for detailed scrutiny, a sample of completed audit reports from the list at Appendix 4.</li> </ol> <div style="text-align: center; margin: 10px 0;">  </div> <p><b>Signed:</b> .....</p> <p><b>Executive Director: Carole Evans</b></p> <p><b>31 January 2007</b></p>	
<p><b>Resource and legal considerations:</b> Paragraph 6 of the Accounts and Audit Regulations 2003, as amended by the 2006 regulations, requires councils to maintain an adequate and effective system of internal audit of accounting records and system of internal control in accordance with proper internal audit practices. Under section 151 of the Local Government Act 1972, the council has designated the executive director (corporate services) as the chief finance officer, who is responsible for making arrangements for the proper administration of the council's financial affairs. The cost of providing internal audit is fully charged to services based on audit activity.</p>	
<p><b>Citizen impact:</b> Internal audit work is intended to ensure that effective systems of internal control are in place. This protects the council and its officers and provides an assurance to stakeholders regarding the security of our operations.</p>	
<p><b>Environment impact:</b> None arising directly from this report.</p>	

**Performance Management and Risk Management Issues:**

Many audit committee activities are an important and integral part of the council's performance management and corporate governance frameworks. The internal audit strategic plan is risk assessed to ensure areas most at risk are examined as a priority.

**Appendix 5** shows quality targets and performance indicators (PIs); summarised below.

Quality Targets/PIs (e.g. Response Time)	% Target	% Achieved 2006/07	% Achieved 2005/06
Audits completed within planned time	95	95	95
Spending within budget	100	100	100
Productivity rate	65	Est 65	74.2
Audit plan achievement	90	Est 90	96.2
Report issued within 10 working days of exit meeting	80	90	92
Recommendations accepted/implemented or agreed	95	97	98
Returned customer questionnaires to show satisfaction	95	100	100
Overall perception of quality of service from Council wide Internal Audit survey	95	-	-
Recommendations confirmed as actually implemented at next audit visit (see below)	95	79	74

As at 31 December 2006, the service has delivered in all of its performance targets, maintaining a high level of overall performance for the year.

On completion of an audit review, a recommendation action plan is agreed with the relevant directorate manager who is then responsible for ensuring its implementation. A level of 73% and 74% respectively was achieved in each of the last 2 years against a target of 95%. The current level is higher at 79%.

Implementation of audit recommendations is a directorate manager's responsibility, and it is important that agreed recommendations are promptly actioned by accountable managers as this helps to secure and strengthen the internal control environment. In order to assist with performance improvement in this area, an audit follow up process is in place which is briefly described as follows:

- Internal audit advise all managers being audited that failure to implement agreed audit recommendations may result in their being called to the audit committee to provide explanation.
- Within a short period of completing the audit review, formal confirmation is sought from the manager that agreed recommendations contained within the audit report action plan have been implemented. This will require, without exception, formal responses to be received from a manager to confirm actions taken.

- Recommendation implementation will shortly appear on directorate leadership team agendas and executive directors will seek formal confirmation from their managers that audit recommendations have been actioned by the agreed dates, and that they have formally responded to audit correspondence.

Confirmation of implemented recommendations is sought at the next audit visit. A performance level of 79% has been achieved as at quarter 3 of 2006/07 and is anticipated to improve further by the year end.

**Equality Implications:**

None arising from this report.

**Consultation:**

The proposed annual work plan was discussed with relevant senior directorate managers during April and May 2006. Following completion of each piece of audit work, and before issuing the final version, the manager's agreement to implement recommendation(s) listed in the audit report action plan is sought.

**Vision impact:**

Internal audit work contributes towards the council's vision in ensuring services operate in a sound control environment and provide excellent customer services.

**Contact Officer**

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## INTERNAL AUDIT - REPORT FOR THE NINE MONTHS ENDING 31 DECEMBER 2006

### 1 Audit Plan, Performance and Resourcing

- 1.1 Internal audit coverage is determined using a risk assessment and high risk areas are audited as a priority. **Appendix 1** shows planned activity for 2006/7; summarised below:

2005/6		FULL YEAR WORK PLAN DETAILS	2006/7	
DAYS	%		Days	%
1,605	68	Systems/probity (computer, contract , council strategic)	1,367	61
771	32	Irregularity/consultancy requiring urgent attention	889	39
<b>2,376</b>	<b>100</b>	<b>TOTAL</b>	<b>2,256</b>	<b>100</b>

- 1.2 **Appendix 2** compares actual and planned activity for the nine months, including that of the chief internal auditor, and is summarised below.

DESCRIPTION	Estimated days for year	Proportion of days to 31.12.06	Actual days for year	%
Available weekdays	2,996	2,158	2,158	
<b>Less: allowances:</b>				
Leave, bank holidays	(-) 445	(-) 359	(-) 359	
Administration	(-) 149	(-) 112	(-) 105	
Contingency/other lost time (inc sickness)	(-) 86	(-) 65	(-) 129	
Vacancies	-	-	(-) 35	
Training & development	(-) 60	(-) 45	(-) 31	
<b>SUB TOTAL</b>	<b>2,256</b>	<b>1,577</b>	<b>1,499</b>	
<b>Time allocation:</b>				
Systems/probity	1,367	910	764	51
Irregularity/consultancy	889	667	737	49
<b>TOTAL</b>	<b>2,256</b>	<b>1,577</b>	<b>1,501</b>	<b>100</b>

- 1.3 The Appendix shows that although 1,577 net productive days were estimated to be available, actual days were 78 less, at 1,499 days. This was due to unbudgeted sickness/medical appointments (18 days), compassionate/special leave (10 days), induction training for new auditor (6 days); contingency / admin (23 days), vacancies (35 days) but was offset by savings of 14 days on training.
- 1.4 At 1 April 2006, the service's establishment comprised 12 posts (11.5 FTEs). The structure and team responsibilities are shown at **Appendix 3**. An assistant auditor resigned wef 1 October 2006, and a new appointment made wef 20 November 2006.

### 2 Audit Work Allocation and Charging Basis

- 2.1 In March 2006 proposed work programmes and charges for 2006/7 were sent to executive directors and other senior managers. During April and May 2006 meetings took place with most of those officers to discuss and receive feedback on the proposals.
- 2.2 Each auditor has a personal annual work plan and is responsible for planning, monitoring and achieving their workload. All are aware of the service's quality indicators and the need to not exceed planned times without prior approval from their manager. Where actual time exceeds planned time due to issues arising in the service being audited, additional costs are charged to the relevant service.

### **3 Performance**

#### **3.1 Irregularity/Consultancy Work**

3.1.1 This partly relates to potentially fraudulent activity reported under financial and contract rule 5 in respect of irregularities and confidential reporting in accordance with the council's whistleblowing policy and the '*Anti Fraud and Anti Corruption Policy and Strategy*'. The service also undertakes consultancy / advisory work, including corporate projects and initiatives, at the request of senior managers. The service has tackled a higher than anticipated number of irregularity/fraud inquiries during the period and although the 2006/7 plan has 889 days (667 pro rata for the 9 months) for irregularity / consultancy work, to the 31 December 2006, 737 days have been charged (70 extra).

3.1.2 This trend is likely to continue and due to the work having to be undertaken by in house officers, this excess work would clearly impact upon achieving our approved workplan. To overcome this problem some of the planned audit work has been awarded to our external partner in accordance with the approved contract. Budgetary provision is available to pay for this work.

#### **3.2 Probity/Systems Work**

3.2.1 Nearly all assignments were completed within planned timescales during the period.

#### **3.3 Computer Audit**

3.3.1 This is undertaken by our audit partner and the programme currently comprises nine projects; IT/information security policy, internet and e-mail acceptable use policy, general ledger application, web payments, IT audit planning review, IT transformation, cash receipting, Paris and physical and environmental security.

#### **3.4 Contract Audit**

3.4.1 12 final accounts with a value of nearly £3.3m were cleared during the period. Advice on procedural improvements has been provided on these accounts, along with other advice and assistance, to senior managers on financial and contract procedure rules and the development of safe contracting processes.

#### **3.5 Contingency (including sickness/absence)**

3.5.1 This overhead is continuously monitored to ensure charges are minimised.

### **4 Progress Reports to Services**

4.1 Directorates are charged monthly based on a share of the annual planned time for routine, regularity and system audits. Actual costs for irregularity/unplanned work are also charged. **Appendix 4** shows work completed and/or near completion. Of the 927 recommendations made 903 (97%) were agreed for implementation. Relevant managers are responsible for ensuring these are promptly implemented.

### **5 Performance Management**

5.1 Internal audit has for a number of years participated in the CIPFA national benchmarking club. As part of this exercise the service continues to compare itself with upper quartile authorities to set even more challenging targets for improvement while also improving

processes and achievement. Local performance indicators (PIs) at **Appendix 5** show that the service achieved in all of its indicators applicable for the year.

- 5.2 The PI relating to 'agreed recommendations confirmed as actually implemented at the next audit visit', although improving at 79%, is currently below target. Following completion of an audit, a recommendation action plan is agreed with the relevant manager who is responsible for implementation. To improve performance, robust follow up action by internal audit was introduced which seeks managers' formal confirmation that recommendations have been implemented. Managers were advised that where a response was not received, confirming action taken, it was assumed that all recommendations had been fully implemented. Managers were also advised that failure to implement recommendations could require their attendance at the audit committee to provide explanation.
- 5.3 Although this action had proved successful in the majority of cases, with managers taking steps to implement recommendations, a small number had failed to take appropriate steps even some of those confirming to audit that the necessary action had been taken. **Appendix 5** shows, amongst others, where confirmed recommendations were not actioned.
- 5.4 With regard to seeking managers' confirmation that recommendations have been implemented, this practice has been revised and now requires managers, without exception, to formally confirm to internal audit that recommendations have been actioned or that they have been rescheduled for action to a later stated date.
- 5.5 To also assist in this process directorate leadership teams are receiving a summary of planned work start dates for the year and details of previously agreed recommendations with a view to seeking formal confirmation from relevant managers, to their team meetings, that recommendations have been actioned.

## **6 Other Initiatives**

- 6.1 The service continues to work towards achieving the requirements of the Race Relations (Amendment) Act 2000 and the Commission for Racial Equality Standard for Local Government. The service is part of the finance, law and performance equalities board and is currently working towards achieving level 3 of the Commission for Racial Equality Standard for Local Government. The service has a current *Investors in People* recognition.

## INTERNAL AUDIT- AUDIT FULL YEAR PLANNED TIME 2006/07

	<u>Team 1</u>	<u>Team 2</u>	<u>Comp Audit</u>	<u>CIA</u>	<u>Grand Total</u>
<b>Available days</b>	<u>1,170</u>	<u>1,456</u>	<u>110</u>	<u>260</u>	<u>2,996</u>
<b>Allowances</b>					
Annual Leave	128	154	-	30	312
Bank Holidays	54	67	-	12	133
Sickness	-	-	-	-	-
<b>Sub Total (a)</b>	<u>182</u>	<u>221</u>	<u>-</u>	<u>42</u>	<u>445</u>
Administration	20	20	-	109	149
Contingency	53	32	-	1	86
Training – Post Entry	5	-	-	-	5
- Other	<u>22</u>	<u>28</u>	<u>-</u>	<u>5</u>	<u>55</u>
<b>Sub total (b)</b>	<u>100</u>	<u>80</u>	<u>-</u>	<u>115</u>	<u>295</u>
<b>PLAN DAYS AVAILABLE</b>	<b><u>888</u></b>	<b><u>1,155</u></b>	<b><u>110</u></b>	<b><u>103</u></b>	<b><u>2,256</u></b>
<b>Allocation :</b>					
FR6/Unplanned	402	425	-	62	889
Systems	379	291	-	-	670
Regularity	91	277	-	20	388
Computer	-	-	110	-	110
Contracts	-	130	-	-	130
Council Strategic	<u>16</u>	<u>32</u>	<u>-</u>	<u>21</u>	<u>69</u>
<b>TOTAL</b>	<b><u>888</u></b>	<b><u>1,155</u></b>	<b><u>110</u></b>	<b><u>103</u></b>	<b><u>2,256</u></b>

## INTERNAL AUDIT- AUDIT ACTUAL TIME – NINE MONTHS ENDING 31 DECEMBER 2006

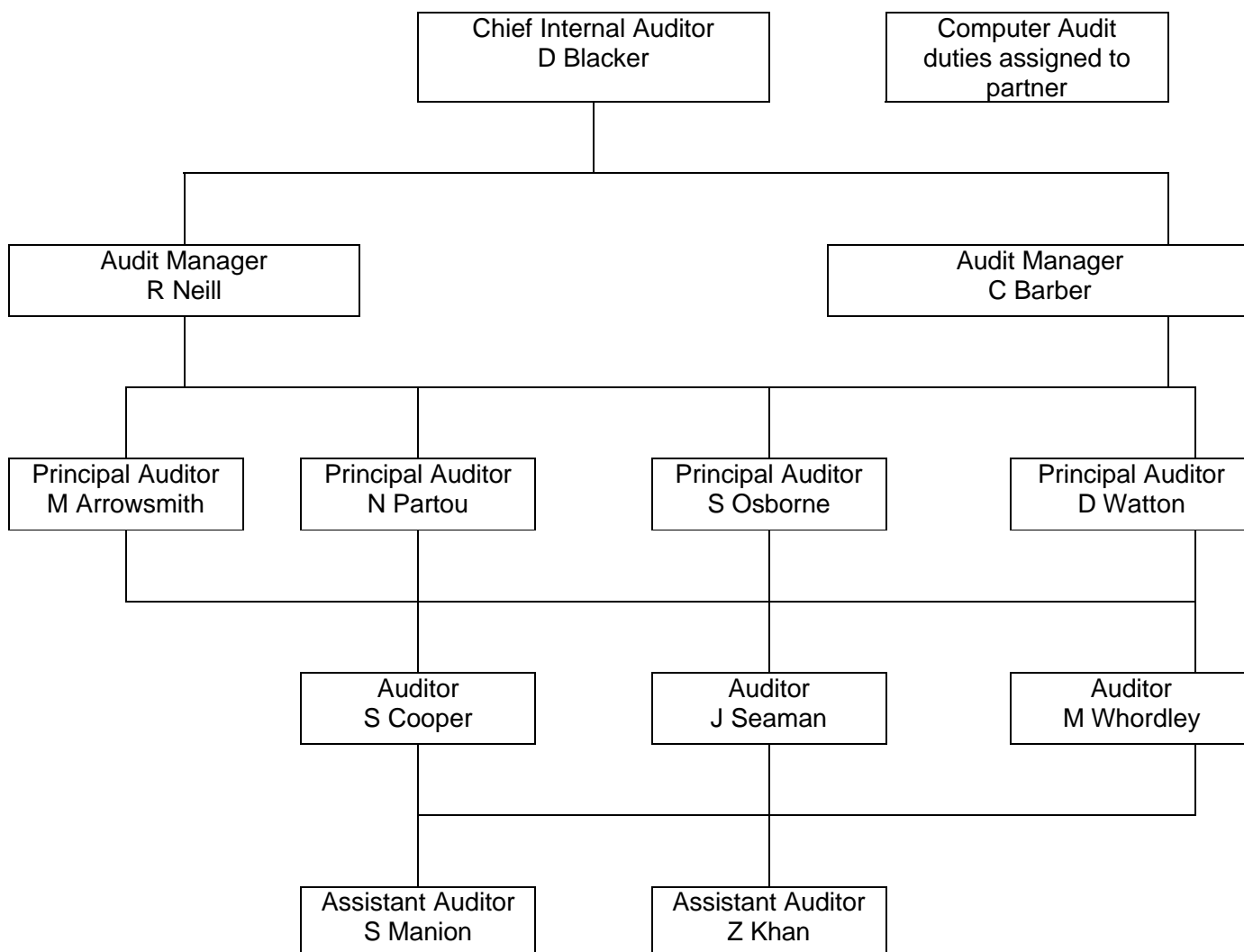
## APPENDIX 2

					ORIGINAL	YEAR	DIFFERENCE
	Team 1	Team 2	CIA	Total	Full Year	Pro Rata	Col (7) - Col (6)
	(2)	(3)	(5)	(6)	(7)	(8)	(9)
<b>Available days (a)</b>	878	1,085	195	2,158	2,996	2,158	-
Less:							
Annual Leave	103	113	17	233	312	233	-
Bank Holidays	53	62	11	126	133	126	-
Elections	-	1	2	3	-	-	(-) 3 loss
Compassionate Leave	-	6	-	6	-	-	(-) 6 loss
Vacancies	-	35	-	35	-	-	(-) 35 loss
Special Leave	1	3	-	4	-	-	(-) 4 loss
Sickness/Medical Appointments	10	8	-	18	-	-	(-) 18 loss
Administration	9	30	66	105	149	112	7
Contingency	55	43	-	98	86	65	(-) 33 loss
Training - Post Entry	6	-	-	6	5	4	(-) 2 loss
- Other	8	12	5	25	55	41	16
<b>Sub Total (b)</b>	245	313	101	659	740	581	(-) 78 loss
<b>Plan days available (a) - (b)</b>	<b>633</b>	<b>772</b>	<b>94</b>	<b>1,499</b>	<b>2,256</b>	<b>1,577</b>	<b>78 less</b>
Comprising:							days available
Unplanned	320	345	72	737	889	667	(-) 70
Systems/Regularity/VFM	306	375	35	716	1,127	730	14
Computer	-	-	-	-	110	83	83
Contract	2	44	2	48	130	97	49
<b>GRAND TOTAL</b>	<b>628</b>	<b>764</b>	<b>109</b>	<b>1,501</b>	<b>2,256</b>	<b>1,577</b>	<b>76 less</b> <b>days available</b>



**INTERNAL AUDIT**

**1) Establishment and 2) Team Responsibilities - 31 December 2006**



**2) Committee/Service Area Responsibilities**

**Team 1:**

- Finance
- Performance
- Legal Services (inc democratic)
- Human Resources
- Organisational Development
- Children & Families
- Communications
- Adult Services
- Housing Services
- Strategic Support & Partnerships
- Major Projects
- Corporate Support
- ISS
- Business & Support Services
- Computer**

**Team 2:**

- Economic Regeneration
- Physical Regeneration
- Environmental Regeneration
- Walsall Borough Strategic Partnership
- New Deal
- Built Environment
- Safer Walsall Borough Partnership
- Neighbourhood Partnership & Programmes
- Leisure Culture & Lifelong Learning
- Education Client/Schools
- Youth & Community
- Procurement



**Walsall MBC**  
**Internal Audit**  
**Report Progress 2006/2007 as at 31 December 2006**

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
<b>Chidrens &amp; Families</b> Youth Offending Team		Voluntary Sector Contract - NCH Ltd (Childrens Fund) *	03.08.06	1	1	-	-	-
		Youth Offending Team	23.11.06	28	28	12	10	2001/02
		Eldon	13.12.06	29	28	5	3	1999/00
<b>Schools</b> Pool Hayes Community School	St Marys of the Angels JMI	Alumwell Infants	11.06.06	17	17	18	15	2001/02

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
Frank F Harrison Community School		Bentley Drive JMI	25.06.06	29	29	16	12	2002/03
St Francis JMI		Birchills JMI	19.07.06	14	14	21	21	2002/03
Mary Elliott		Edgar Stammers JMI	13.07.06	8	8	21	17	2002/03
King Charles JMI		Alumwell Junior	18.07.06	23	23	24	19	2001/02
		Queen Marys High	07.07.06	17	15	12	8	2003/04

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		St Francis of Assisi	11.09.06	6	6	11	10	2004/05
		Bentley West JMI	20.07.06	15	15	18	17	2002/03
		Valley Nursery	28.07.06	12	12	31	25	2004/05
		Walsall Wood JMI	06.10.06	19	19	15	13	2002/03

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Queen Marys Grammar	04.12.06	29	29	14	11	2004/05
		Delves Junior	04.10.06	14	14	19	17	2002/03
		Kings Hill JMI	08.11.06	13	11	7	5	2002/03
		Whitehall Infants	08.12.06	34	34	32	13	2002/03
		Rushall JMI	24.11.06	36	36	24	14	2002/03

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Joseph Leckie Community Technology College	22.11.06	17	17	24	19	2004/05
		Sandbank Nursery	11.12.06	25	25	21	16	2001/02
<u>Adult Services</u> Foster Care & Adoption	Direct Payments	Bank Accounts *	18.08.06	4	4	14	11	2004/05

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
Bentley Resource Centre		ICES Pooled Budget *	17.08.06	21	21	-	-	-
Short Heath Resource Centre		Links to Work	15.09.06	32	32	20	18	2004/05
		Meadow House	28.09.06	30	30	18	11	2003/04



Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Goscote Training Centre	25.10.06	26	26	48	40	2004/05
		Rushall Mews	23.11.06	17	16	33	33	2004/05
		Delves Resource Centre	13.11.06	28	27	15	12	2001/02
<b>Finance</b> Banking Hall Benefit Account Reconciliation Council Tax NNDR Pensions Nominal Ledger & Central Accounting	Accountable Body Status *							

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
Examine Benefit Claims Bank Account Reconciliations <b>Walsall Borough Strategic Partnership</b> Walsall Borough Strategic Partnership <b>Leisure, Culture &amp; Lifelong Learning</b>		Darlaston Multi Purpose Centre	30.08.06	14	14	49	43	2005/06
		Bentley Leisure Pavillion (inc Grange Golf)	30.08.06	8	8	49	48	2005/06
		Willenhall Leisure Centre	30.08.06	10	10	49	45	2005/06
<b>Safer Walsall Borough Partnership</b> Safer Communities - Anti Social Behaviour <b>Neighbourhood Partnerships &amp; Programmes</b> ESF/ERDF <b>Built Environment</b> Highways Management <b>New Deal</b> New Deal - Finance <b>Economic Regeneration</b> Economic Regeneration								

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
<u>All</u> Service Planning		Accounts Payable - Neighbourhood Service *	25.07.06	25	25	39	27	2004/05
Best Value / Performance Indicators		Accounts Payable - Corporate Services *	15.08.06	45	38	50	33	2004/05
Payroll		Accounts Payable - Social Care & Inclusion *	09.08.06	20	19	20	14	2004/05
Accounts Payable		Accounts Payable - Regeneration *	01.08.06	17	16	-	-	-

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
Accounts Receivable		Accounts Receivable - Neighbourhood Services *	01.08.06	10	10	37	32	2004/05
Budetary Control		Accounts Receivable - Corporate Services *	25.07.06	16	15	59	50	2004/05
Grants (compliance with manual)		Accounts Receivable - Social Care & Inclusion *	25.07.06	9	9	17	15	2004/05
Capital Programming		Accounts Receivable - Childrens Services *	25.07.06	7	7	-	-	-

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Accounts Receivable - Regeneration *	01.08.06	8	8	-	-	-
		Payroll *	27.07.06	99	99	98	62	2004/05
		Budgetary Control - Neighbourhood Services *	21.07.06	17	14	9	6	2004/05
		Budgetary Control - Social Care & Inclusion *	03.08.06	14	12	2	1	2004/05

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Budgetary Control - Regeneration *	21.07.06	10	9	6	5	2004/05
		Inventories/Stock - Occupational Therapy *	03.08.06	4	4	-	-	-
		Capital Accounting	20.07.06	7	7	5	5	2004/05
		Risk Management	17.11.06	5	4	4	2	2004/05

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
<u>Contract</u>	Revenue Contract - Chrystal Computing *	Landscape Improvements - Palfrey Park	19.04.06	8	8	-	-	-
		Paper Bulk Unit	24.04.06	2	2	-	-	-
		Somerfield Road / High Street Right Turn Facility	24.05.06	0	0	-	-	-
		Ryders Hayes JMI - Phase 1	08.06.06	0	0	-	-	-

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Mossley JMI - fire damaged kitchen	22.08.06	5	5	-	-	-
		Sheffield College - dance studio / fitness suite	05.10.06	4	4	-	-	-
		Valley Nursery - extension	11.10.06	3	3	-	-	-



Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit
				Current Made	Agreed	Previous Agreed	Act'd	
		Darlaston Transform Your Space	31.10.06	3	3	-	-	-
		Willenhall Transform Your Space	31.10.06	4	4	-	-	-
		Bus Showcase Routes 529/311	22.11.06	1	1	-	-	-
		Brownhills West JMI - classroom extension	01.12.06	3	3	-	-	-
		Willenhall College - alterations	21.12.06	5	5	-	-	-
<b>Totals</b>				<b>927</b>	<b>903</b>	<b>986</b>	<b>778</b>	
<b>Total Percentage</b>					<b>97%</b>		<b>79%</b>	

\* 2005/2006 audits carried forward into 2006/2007  
 Report selected by committee

**Conclusions**

The procedures and controls relating to this contract were found to be of an adequate standard overall. The Children's Fund is a government programme aimed at children and young people aged between 5 and 13 years who are at risk of social exclusion. The contract was tendered in 2002, resulting in the appointment of NCH Ltd. The contract duration was for two years (upto 2004) with an option to extend by a further two years (up to 2006). The tender documents in relation to this contract have been retained on file. It was identified, however, that the contract was not sealed until August 2005; and the final document not forwarded to NCH Ltd until October 2005.

The financial and other systems operated within the youth offending service were found to be of an adequate standard. A number of good practices were noted during the audit, including, the production of procedure notes, the administration of petty cash and performance management. There are some areas which require improvement, including the records for cash held, inventory, staff records, and ensuring that procurement is in accordance with financial and contract rules. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken.

The systems operating within Eldon are of an adequate standard. A number of good practices were noted, in particular; residents' admissions and discharges, fund raising and activities. Some areas for improvement were identified, however, including; general procedures, qualification for service provision, security of cash and budget monitoring. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.

The financial and other systems operated at Alumwell Infants School were found to be of an adequate standard. A number of good practices were noted during the audit including governance, financial planning, budgeting and financial control. Income procedures however, are in need of improvement. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

## Conclusions

The financial and other systems operated at Bentley Drive JMI School were found to be of an adequate standard. A number of good practices were noted during the audit, including banking procedures and data security. There are some areas in need of improvement including extended activities. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

The financial and other systems operated at Birchills C E Primary Community School were found to be of a good standard. There are a number of good practices at the school, including governance, financial planning, budget monitoring, purchasing, financial control and data security. Two areas in need of improvement however, are petty cash and especially school fund. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

The financial and other systems operated at Edgar Stammers Primary School were found to be of a good standard. A number of good practices were noted during the audit, including; governance, financial planning, budget monitoring, financial controls, administration of the petty cash imprest, banking procedures, voluntary fund administration, the management of the inventory, insurance and data security. Purchasing arrangements require some improvement. However the prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

The financial and other systems operated at Alumwell Junior School were found to be of an adequate standard. A number of good practices were noted during the audit, including financial planning, budget monitoring, financial control and data security. There are some areas in need of improvement including banking, purchasing and school fund. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

The financial and other systems operated at Queen Mary's High School were found to be of a good standard. A number of good practices were noted during the audit, including financial planning, budget monitoring, assets, security and payroll arrangements. However, the procedures relating to the receipt and reconciliation of income from the school canteen is an area for some improvement. The prompt implementation of recommendations contained within this audit report will assist in enhancing procedures undertaken within the school.

## Conclusions

The financial and other systems operated at St Francis of Assisi Catholic Technology College were found to be of a good standard. The majority of areas covered during this audit review were found to be of a good standard. There is however, one area, procurement, where improvement in the current processes would be possible. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

The financial and other systems operated at Bentley West Primary School were found to be of a good standard. A number of good practices were noted during the audit, including; governance, financial planning, budget monitoring, financial controls, administration of the petty cash imprest and insurance. There are some areas which require improvement, including data security, banking procedures, voluntary fund administration and the management of the inventory. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

The financial and other systems operated at Valley Nursery School were found to be of a good standard. A number of good practices were noted during the audit, including; governance, financial planning, budget monitoring, financial controls, administration of the voluntary fund and excellence bank accounts. There are some areas which require improvement. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

The financial and other systems operated at Walsall Wood School were found to be of a good standard. There were a number of good practices found during the audit, including governance, budget monitoring, financial controls, banking, petty cash, insurance, and data security. There are some areas in need of improvement however, including income, voluntary funds and asset security. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

## Conclusions

The financial and other systems operated at Queen Mary's Grammar School were found to be of an adequate standard. A number of good practices were noted during the audit, including; the maintenance of a business register; the separation of duties in authorising orders and invoices; the prompt banking of income and data security procedures. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken. The 14 agreed recommendations which remain applicable from the last audit were confirmed as implemented by the administrator on 9 December 2004. Of these, 11 had been fully implemented at the time of this audit. The 3 unimplemented recommendations have been reiterated in this report, marked (\*) in the action plan.

The financial and other systems operated at Delves Junior School were found to be of an adequate standard. There were a number of good practices found during the audit, including governance, financial planning, budget monitoring, financial control, petty cash, voluntary fund, assets and data security. There are some areas in need of improvement including income and banking controls. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

The financial and other systems operated at Kings Hill Primary School were found to be of an adequate standard. Although a number of good practices were noted during the audit, including income and banking procedures, deficiencies in the payroll budgeting process have resulted in a significant budget deficit.

The financial and other systems operated at Whitehall Infant and Nursery School were found to be of an adequate standard. A number of good practices were noted during the audit, including; financial planning, budget monitoring and payroll procedures. However, purchasing and petty cash arrangements, income procedures and financial controls require some improvement. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

The financial and other systems operated at Rushall JMI School were found to be of an adequate standard. A number of good practices were noted during the audit, including; budget monitoring, assets and security arrangements and insurance. However, Voluntary fund and income procedures were found to be areas for some improvement. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

## Conclusions

The financial and other systems operated at Joseph Leckie Community Technology College were found to be of a good standard. A number of good practices were noted during the audit, including governance, financial planning, purchasing, financial controls, income controls, payroll, insurance, data security and PLASC. However, there are some areas in need of improvement including extended activities and budget monitoring. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken.

The financial and other systems operated at Sandbank Nursery School were found to be of an adequate standard. A number of good practices were noted during the audit, including Governance (Governors and staff completed the register of business interests on the second day of the audit), financial planning, budget monitoring, financial controls, banking, payroll and data security. However, there are some areas in need of improvement including voluntary funds and the extended activities. The prompt implementation of the recommendations contained within this audit report will further assist in enhancing procedures undertaken.

The systems surrounding the administration of the bank accounts held within social care & inclusion were found to be of an adequate standard. Overall, management and staff provide an effective and efficient administration of social care & inclusion bank accounts. A number of good practices were noted in relation to the administration of receivership accounts and reconciliations undertaken on the NURRCIS system. There are some areas, however, which require improvement including the documentation of procedure notes, review of bank mandates and some tightening of segregation of duties.

## Conclusions

The system of control for the administration of the ICES pooled budget was found to be of an adequate standard. The ICES pooled budget came into effect on 1.04.05, 2005/06 being the first year of operation of the pool.

Some of the control weaknesses identified during the audit appear to have arisen due to the way in which the arrangements for the operation of the pool have evolved. There is no contract yet in place between the council as lead commissioner and the tPCT as provider for the ICES, although a service specification for this arrangement is in place. The manner in which the council as lead commissioner has applied contract procedure rules in commissioning this service also requires clarification. The council and tPCT have not pooled budgets during 2005/06 financial year in accordance with the partnership agreement but have chosen to initiate pooling in a single transaction at the year end. The audit also identified that despite the council commissioning the tPCT to procure equipment on the pool's behalf, the council continue to procure equipment outside of this arrangement.

The systems operating within Links to Work are of an adequate standard. A number of good practices were noted, in particular; stock records, staff records, security and performance management. While good progress has been made towards improving procedures since the previous audit report, additional improvement in some areas is still required including; the documentation of financial/administrative procedures, ensuring the safe insurance limit is not exceeded and procurement arrangements. The prompt implementation of recommendations contained within this audit report will assist in enhancing procedures undertaken.

The financial and other systems operated within Meadow House were found to be of an adequate standard. A number of good practices were noted during the audit, including, the production of procedure notes as part of the quality assurance system, arrangements for residents' personal allowances and performance management. There are some areas which require improvement, including the administration of staff records, the administration of petty cash and procurement is in accordance with contract and financial procedure rules. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken.

## Conclusions

The systems operating within Goscote Centre are of an adequate standard. A number of good practices were noted, in particular; the documentation of office procedures, accountability for clients' money, security arrangements and performance management. Some areas for improvement were identified, however, including; the collection and banking of lunch income, procurement and accountability for fund raising activities. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken. 47 of the 48 agreed recommendations which remain applicable from the last audit, were confirmed as implemented by the service co-ordinator on 4 July 2005. At the time of this audit, only 40 agreed recommendations were found to be fully implemented. The 8 unimplemented recommendations have been reiterated in this report, marked (\*) in the action plan.

The financial and other systems operated at Rushall Mews were found to be of an adequate standard. A number of good practices were noted during the audit, including; documentation of administration procedures, accountability for cash held and security arrangements. There are some areas which require improvement, including procurement, budget monitoring and performance management. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken.

The financial and other systems operated within Delves Resource Centre were found to be of an adequate standard. A number of good practices were noted during the audit, including, the production of procedure notes as part of the quality assurance system, arrangements for residents' personal allowances, records maintained for day care service users, the administration of petty cash, stock records held for food and cleaning materials, and performance management. There are some areas which require improvement, including the administration of lunch income and banking records, staff records, payphone records and ensuring that procurement is in accordance with financial and contract rules. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken.



## Conclusions

The procedures and other systems operated were found to be of an adequate standard. A number of good practices were noted during the audit, including admissions, sales income and till procedures, bookings, ordering and purchasing and security arrangements. Some control weaknesses were identified in relation to petty cash and stock control procedures. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken at Darlaston and other leisure centres.

The procedures and other systems operated were found to be of a good standard. A number of good practices were noted during the audit, including admissions, sales income and till procedures, bookings, ordering and purchasing and security arrangements. Some control weaknesses were identified in relation to staffing procedures. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken at Bentley leisure pavilion, grange golf and other leisure centres.

The procedures and other systems operated were found to be of a good standard. A number of good practices were noted during the audit, including admissions, sales income and till procedures, bookings, ordering and purchasing and security arrangements. Some control weaknesses were identified in relation to petty cash. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken at Willenhall and other leisure centres.

## Conclusions

The system operated for accounts payable (creditors) within the neighbourhood directorate was found to be of an adequate standard. While a number of good practices were noted in particular; systems security, receipt of goods, allocation of financial codes, accountability for VAT and data protection, several areas for improvement were identified including; general procedures, segregation of duties, timeliness of payment, payment of invoices and authorisation processes. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.

The system operated for accounts payable (creditors) within the corporate directorate was found to be of an adequate standard. While a number of good practices were noted in particular; system security, quotation/tendering procedures, receipt of goods, allocation of financial codes; reconciliation procedures and accountability of VAT, several areas for improvement were identified including; requisitioning and ordering procedures; segregation of duties; returned cheques; payment of invoices and cheque procedures. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.

The system operated for accounts payable (creditors) within the social care and inclusion directorate was found to be of an adequate standard. While a number of good practices were noted in particular; systems security; receipt of goods; post opening procedures; allocation of financial codes, timeliness of payment and accountability for VAT, areas for improvement were identified including; general procedures, quotation/tendering procedures and returned cheques. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken. This audit has also identified that only 19.69% of paid invoices are correctly matched to a corresponding order. There is therefore a corporate requirement to ensure that the use of and take up of Oracle iProcurement is used consistently across the council with all invoices matched correctly to a corresponding invoice. The Oracle iProcurement team should continue to work alongside the accounts payable team to ensure improvements occur.

The system operated for accounts payable (creditors) within the regeneration directorate was found to be of an adequate standard. While a number of good practices were noted in particular; systems security, receipt of goods, allocation of financial codes and accountability for VAT several areas for improvement were identified including; general procedures, payment of invoices, timeliness of payment, quotation/tendering procedures and returned cheques. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.

## Conclusions

The accounts receivable system operated by the neighbourhood directorate was found to be of an adequate standard. A number of good practices were noted during the audit, including awareness of corporate procedures regarding the accounts receivable system, maintenance of the standing charges register and for writing off accounts. The control environment can be improved however, in the authorisation of invoice requests, administration of credit notes, authorisation of delayed recovery and monitoring of debt recovery performance

The accounts receivable system operated by the corporate services directorate was found to be of an adequate standard. A number of good practices were noted during the audit, including awareness of current policies and procedures, daily reconciliation of the accounts receivable system to the daily collection account, prompt clearance of the suspense account, control account reconciliation, writing off accounts, performance targets for the development of the accounts receivable system and planning for improvement to debt recovery performance. The control environment can be improved however by obtaining the support of the executive management team for improving debt recovery performance, and by assigning responsibility for the monitoring of debt recovery performance, ensuring appropriate checks and authorisations are undertaken where invoices are raised from schedules, setting access limits for making amendments/credits, introducing procedures for the authorisation of accounts put into dispute, the production of exception reports, setting debt collection rates and undertaking benchmarking exercises.

The accounts receivable system operated within social care and inclusion directorate was found to be of an adequate standard. A number of good practices were noted during the audit, including procedures for writing off accounts and documentation supporting accounts put into dispute (where debt recovery is prevented). The control environment can however be improved in the administration of credit notes and raising awareness of relevant corporate procedures.

The accounts receivable system operated by the children directorate was found to be of an adequate standard. A number of good practices were noted during the audit, including awareness of corporate procedures, invoices raised promptly, the completion of credit note request forms, appropriate procedures in place for writing off accounts and secure retention of stationery and data. The control environment however can be improved by documenting authority to delay collection (disputed accounts) and assigning responsibility for the monitoring of debt recovery performance.

## Conclusions

The accounts receivable system operated by the regeneration directorate was found to be of an adequate standard. A number of good practices were noted during the audit, including, an awareness of corporate procedures, prompt raising of accounts and procedures for write-offs. The control environment can however be improved by documenting authority to delay collection (disputed accounts) and assigning responsibility for the monitoring of debt recovery performance.

The systems and procedures in operation were found to be of a poor standard. Although some progress has been made in addressing the payroll recommendations previously reported, this audit review has continued to identify control weaknesses within the processing of the council's payroll. While it is recognised that management in both payroll and employment support have taken positive action to remind officers of their responsibilities in complying with procedures and policies, weaknesses have continued to be identified by internal audit when re-performing tests of these areas. Control weaknesses such as a lack of segregation of duties, lack of evidence of authorisation and senior / independent review remain and these have led to a number of exceptions being noted in the sample of establishment, starters, leavers, variations to pay and absence monitoring / reporting tested. The prompt implementation of the recommendations made within this report, together with ownership by relevant officers and also directorate management teams, should improve the control environment and the audit opinion for 2006/07.

The system operated for budgetary control within the neighbourhood directorate was found to be of a good standard. A number of good practices were noted, in particular budget monitoring, amendments and virements and the relationship between cost centre managers and accountants. Some areas for improvement were however, identified and include budget accountability and review of budgets. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.

The system operated for budgetary control within the social care and inclusion directorate was found to be of a good standard. A number of good practices were noted, in particular budget setting, budget monitoring and amendments and virements. Some areas for improvement were however, identified and include budget accountability and review of budgets. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.

## Conclusions

The system operated for budgetary control within the regeneration directorate was found to be of a good standard. A number of good practices were noted, in particular budget setting, budget monitoring, amendments/virements and the relationships between cost centre managers and accountants. Some areas for improvement were however, identified and include budget accountability and review of budgets. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.

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

The systems operating with regard to capital accounting were found to be of a good standard. A number of good practices were noted during the audit including the existence of procedure notes and the maintenance of the fixed asset register. Some areas for improvement were noted including ensuring the prompt notification to the corporate performance and treasury team by individual service areas of any required amendments of the fixed asset register.

The systems surrounding the risk management were found to be of a good standard. Overall, there are sufficient and efficient controls in place within the area of risk management. A number of good practices were noted during the audit including a risk management framework; a risk management policy and strategy; and the engagement of audit committee in ensuring risk is identified and managed effectively at all levels. Some areas require improvement, however, including formulating performance indicators for the section and benchmarking against other local authorities.

## Conclusions

Approval for these works to be tendered does not appear to have been granted in accordance with the council's contract procedure rule 19.3 as in force when tenders were sought in January 2003. Formal acceptance of the tender was given by the head of community and leisure, on 11 February 2003. This is contrary to the requirements of contract procedure rule 25.3, as in force at that time. Two suppliers were nominated to the contract. There is no evidence that these were selected in accordance with contract procedure rule 15.2 as in force in January 2003. A file note exists regarding creation of a contract under the council's seal. There is no evidence that any contract has been executed. The file does not contain a race relations questionnaire as required by contract procedure rule 30.1 (a) as in force at that time. Although all variations were evidenced in writing, instructions for a number of items were only created some months after the works had achieved practical completion.

Although all variations were evidenced in writing, instructions for nine items were only created after the works had achieved practical completion. The project was due to achieve practical completion on 12 February 2005. An extension of time was granted to the contractor but this was not certified until 5 April 2006, following receipt of the contractor's final account.

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## Conclusions

Although the contractor's tender was valued at £139,975.00, the letter of appointment was in the sum of £150,059.00. The letter referred to this as a "negotiated tender". There is no explanation of why the tender value was altered prior to the contractor's appointment. The council's contract procedure rules do not envisage the negotiation of tender sums. There is no evidence of the contractor providing a surety to the council. Details needed to create and execute a contract under the council's seal were provided to the appropriate officers, but no contract has yet been completed. Additional works were added to the contract by means of quotations and orders. These appear to have formed part of neither the original specification nor architect's instructions. Payment has been made to the contractor for these items. The reason for this method of extending the contract works appears to be that additional works have been paid from other budgets. Although these works appear to form part of the contract, there has been no architect's instruction.

Although the contractor's final account was received from the quantity surveyor on 23 August 2005, it was not presented to the chief internal auditor until over a year later. There appears to have been no director's approval for tenders to be sought for these works. Although there is a bond document in the sealed contract, this does not appear to have been completed or executed by a bondsman. It is doubted whether the council actually received a surety from the contractor. The insurance certificate provided by the contractor expired prior to the completion of works. The council may have been at risk from employing a contractor who did not carry appropriate levels of insurance.

It was noted that a sum of £2,443.75 had been paid to Stewart Associates, who acted as electrical and mechanical engineer to the project. No evidence was provided to show how this firm had been appointed. The insurance certificate provided by the contractor's insurance brokers showed renewal dates of 1 April 2006. The works did not reach practical completion until 12 April 2006. The council may have been at risk from employing a contractor who did not carry appropriate levels of insurance. The contract administrator chose to extend the time for the works' completion from 7 April 2006 to 14 April 2006. This extension of time was certificated 24 April 2006 following the contractor's letter dated 21 April 2006. It is not clear whether the extension was sought at the time additional works were requested or whether the extension was arranged following actual completion.

## Conclusions

Although a Capital Financing Report was found, there appears to have been no director's approval for tenders to be sought for these works. Although the requirement for a surety exists in the tender specification, there is no evidence that any such surety was provided to the council. Fourteen additional items were added to the works by the use of Landscape Architect's Instructions after the project had achieved practical completion on 19 December 2005.

Although a Capital Financing Report was found, there appears to have been no director's approval for tenders to be sought for these works. Although the requirement for a surety exists in the tender specification, there is no evidence that any such surety was provided to the council. The pre-start site meeting of 6 October 2005 shows the start date as being "Mid Nov 2005" and the completion date as "Anticipated late Jan 2006." It was not possible to find evidence of liquidated damages forming a condition of the contract.

Although informed by the council's legal services that a contract for these works was due to be executed, at the time of the audit examination this had not yet taken place.

Based upon the documents submitted to the auditor, the systems used to control this contract were found to be of an adequate standard.

The financial and other systems operated at were found to be of a poor standard



## INTERNAL AUDIT

## QUALITY TARGETS/PERFORMANCE INDICATORS – NINE MONTHS ENDED 31 DECEMBER 2006

Quality Targets/PI's (e.g. Response Time)	% Target	% Achieved 2006/2007	% Achieved 2005/2006	% Achieved 2004/2005	% Achieved 2003/2004	% Achieved 2002/2003
Audits completed within planned time	95	95	95	95	98	90
Spending within budget	100	100	100	100	100	100
Productivity rate	65	EST 65	74.2	70.1	70.4	66.5
Audit plan achievement	90	EST 90	96.2	95.1	93.6	68
Report issued within 10 working days of exit meeting	80	90	92	94	90	80
Recommendations accepted/ implemented or agreed	95	97	98	98	97	97
Returned customer questionnaires to show satisfaction	95	100	100	100	98	98
Overall perception of quality of service from Council wide Internal Audit survey	95	-	-	-	-	99

Note

1. The service now participates in the CIPFA national benchmarking club which enables comparison specifically with all similar type authorities (unitaries metropolitan districts).

For Information

Recommendations confirmed as actually implemented at next audit visit	95	79	74	73	73	76
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This target is a directorate manager's responsibility but is included for information. Action is being taken by internal audit to improve achievement level.