

Audit Committee – 14 November 2011

No or Limited Assurance Internal Audit Reports

Summary of report:

This report presents summaries of audit reports which have been provided with a 'no' or 'limited' assurance opinion that have been finalised between 9 March 2011 and 30 September 2011.

Background papers:

Internal audit reports/files/working papers.

Recommendation:

1. To note the contents of this report
2. Members are invited to select any or all of the audits in this report for a subsequent meeting of the Audit Committee where the relevant executive director and appropriate managers will attend to answer members' queries and provide them with necessary assurances that action is being taken to address concerns identified.



Rebecca Neill – Head of Internal Audit

31 October 2011

Resource and legal considerations:

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

Citizen impact:

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

Performance and risk management issues:

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

appropriately and that managers' agreed actions are being implemented. The committee can seek explanation from managers failing to progress agreed actions.

Equality Implications:

None arising from this report.

Consultation:

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

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No and Limited Assurance Internal Audit Reports

This report presents summaries of audit reports provided with a 'no' or 'limited' assurance opinion that have been finalised between 9 March 2011 and 30 September 2011.

Audit Opinion Classification

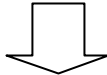
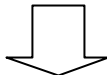

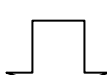

Where appropriate, each audit report issued is given an overall audit opinion based on the following criteria:

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. All reports receiving this opinion are routinely reported to Audit Committee.
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. All reports receiving this opinion are routinely reported to Audit Committee.

Audit report findings are ranked according to the following priority status:

Criteria for Ranking Audit Report Findings	
High	Significant financial / asset loss or wastage; clear fraudulent opportunity; key control not applied or extensive / persistent non application of a secondary control; failure to meet primary service / corporate aims; public disclosure implication / high reputational damage; legal mandatory; or a significant breach of financial and contract rules.
Medium	Some financial / asset loss or wastage; occasional but regular non application of a secondary control; failure to meet secondary service / corporate aims; public disclosure implication: limited reputational damage; non mandatory regulation and not high risk; a minor instance of non compliance with financial and contract rules; or staff otherwise insufficiently safeguarded while undertaking their duties.
Low	Minor control improvement; no financial / asset loss or wastage; no direct link to achieving service / corporate aims; and public disclosure implication: no reputational damage.

Of the 79 audit reports finalised between 9 March 2011 and 30 September 2011, 9 (11%) were issued with a limited assurance opinion. No audit reports were issued with a 'no' assurance opinion. The table below details the audits issued with a limited assurance opinion, direction of travel of assurance opinion since the last audit, the directorate and the number of the actions contained within the report by priority status.

Auditable Area	Directorate	Assurance	Direction of Travel	Actions		
				High	Medium	Low
Grants	All	Limited		26	18	3
Walsall Adult & Community College	Neighbourhood Services	Limited		24	17	2
Safer Communities – Anti Social Behaviour	Neighbourhood Services	Limited		18	9	3
Northgate M3 Public Protection Service Application (computer audit)	Neighbourhood Services	Limited	New audit	3	2	1
Integrated Young Persons Support Service	Children's Services	Limited		15	24	5
Community Mental Health Integrated Team	Social Care & Inclusion	Limited	New audit	19	14	2
Learning Disabilities – Satellite Offices	Social Care & Inclusion	Limited	New audit	16	13	1
Pinfold Day Centre	Social Care & Inclusion	Limited		16	8	1
Environmental Management	Regeneration	Limited	New audit	4	1	0

A summary of these reports is detailed at **Appendix 1**.

Members are invited to select any or all of the above reports for a subsequent meeting of the Audit Committee where the relevant executive director and appropriate managers will attend to answer members' queries and provide them with necessary assurances that action is being taken to address concerns identified.

All audit reports issued with a limited or no assurance opinion are subject to early follow up in the audit year in which they are finalised.

Grants

(All Directorates)

1. Introduction

An audit review of grants was undertaken during as part of the annual audit plan. Grants vary enormously in their bidding and application procedures, claiming and payment mechanisms and ongoing management requirements. Accounting for Government Grants is now covered in the main by IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) and is also supplemented from time to time by CIPFA guidance relating to specific grant regimes and policy instruments.

The grants manual was published in November 2010 containing newly introduced requirements and processes. At the time of the audit, the new processes were in the process of being embedded.

2. Objectives

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

- there are documented procedures relating to the administration of grants that are regularly reviewed, updated and approved;
- grant applications are processed efficiently and promptly;
- grant income is appropriately controlled and maximised;
- grant income is regularly monitored;
- grant expenditure is in accordance with the conditions of the relevant grant;
- grant income and expenditure is reconciled to funding agreements on a regular basis;
- grant claims are; supported with documentary evidence; approved; and submitted in line with grant requirements;
- statistics and monitoring data is gathered and submitted in line with grant requirements;
- confidential files are securely maintained for each grant application;
- there is an adequate segregation of duties throughout the grants process; and
- projects are evaluated, documented and reported at closure stage.

3. Conclusions

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

Some good practices were noted during the audit, including:

- a comprehensively detailed revised grants manual issued November 2010;

- a mandatory grants workshop held by finance and Grant Thornton communicating best practice in grant administration and management to all relevant officers; and
- a designated grants coordinator responsible for supporting accountable grant administrators in the monitoring and review of grants.

Controls are mainly sufficient, but significant compliance issues have been identified during testing. It is, however, acknowledged that at the time of the audit, the council's revised grants manual, published in November 2010, containing newly introduced requirements and processes, was still in the process of being fully embedded. The 22 grants selected as part of the audit, from across all directorates, were legacy grants. No new grants had been recorded or received in the grants register post November 2010.

Walsall Adult & Community College

(Neighbourhood Services)

1. Introduction

An audit review of the Walsall Adult & Community College was undertaken as part of the annual audit plan. The Walsall Adult & Community College was formed in August 2009 and provides courses and learning opportunities for persons aged 18 and above. There are some courses available for 16-18 years in construction and sport related activities.

2. Objectives

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

- adequate planning, service strategies and customer consultation are in place;
- service performance is monitored and managed;
- the service operates within the corporate performance management framework, including:
 - workforce planning
 - IPM
 - equalities
 - procurement
 - budgetary control
 - business continuity
 - risk management
 - communications
 - sickness management
 - health & safety
 - information governance
- joint working with partners and other council services is effective;
- procurement is adequately controlled and in accordance with the authority's financial and contract rules 2006 & contract rules 2010;
- income, including grant income, is properly accounted for;
- there are appropriate promotional activities;
- service data and information is accurate, secure and of value to managers;
- key controls are in place to guard against fraud and irregularity.

3. Conclusions

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the Walsall Adult & Community College.

Some good practices were noted during the audit, including; performance reporting, funding returns, workforce planning, team communication, grant funding, joint working partnerships and promotional activity.

A number of areas for improvement have, however, been identified, including; cash income collection and security, outstanding fee collection, banking, procurement, computer & data security and operation of the crèche facility. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

Safer Communities – Anti Social Behaviour

(Neighbourhood Services)

1. Introduction

An audit review of the anti social behaviour unit was undertaken as part of the 2010/11 annual audit plan.

2. Objectives

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

- adequate planning, service strategies and customer consultation are in place;
- 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
- joint working with partners and other council services is effective;
- procurement is adequately controlled and in accordance with the authority's financial regulations and contract rules;
- income, including grant income, is properly accounted for;
- key controls are in place to guard against fraud and irregularity;
- all anti social behaviour; incident reports, investigations and action plans are appropriately managed;
- closure of anti social behaviour cases are documented and authorised; and
- an inventory is maintained.

3. Conclusions

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the anti social behaviour unit.

Some good practices were noted during the audit, including;

- joint working with a number of services and external agencies;
- attendance at monthly consultation and problem solving multi agency meetings;
- reporting the number and types of anti social behaviour cases and incidents received each quarter to the Safer Walsall Partnership Board.

Some areas for improvement have, however, been identified, including:

- undertaking benchmarking with other local authorities and similar organisations;
- establishing a set of suitable local performance measures;
- ensuring compliance with the council's sickness absence policy;
- the sourcing of an appropriate replacement ICT option for an anti social behaviour system;
- the documentation of day to day administration procedures;
- formulation of standard forms for completion at various stages of a case, including; referral, investigation and action plan; and
- maintaining an adequate segregation of duties.

Northgate M3 Public Protection Service Application (computer audit)

(Neighbourhood Services)

1. Introduction

A computer audit review of Northgate M3 Public Protection Service Application was undertaken during March 2011 as part of the annual audit plan. The application supports the Council in achieving its objectives across a number of departments including licensing, trading standards, housing standards and environmental health.

2. Objectives

The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements and to seek assurance that:

- periodic reviews and controls are in place to ensure compliance with the Licensing Act 2003 regulations;
- the collection and accounting of license income is complete and accurate and meets the council requirements;
- data and transactions are accurate, validated and appropriately secured through the web-based access used;
- access to the M3 application by IT and other support staff is appropriate and based on individuals job needs;
- appropriate change management processes and operational IT support of the application have been implemented;

- licensing activity is managed appropriately through the application;
- a formal backup management policy exists with appropriate procedures for backup, retention and storage of data;
- appropriate procedures exist to ensure successful recovery from backups; and
- management periodically monitor backup management activities.

3. Conclusions

Internal audit is able to give a limited assurance opinion on the system of internal control operating within Northgate M3 Public Protection Service Application.

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

- the application appears to be fit for purpose and is complimented by manual controls to ensure compliance;
- a formal backup management policy exists with appropriate procedures for backup, retention and storage of data;
- appropriate procedures exist to ensure successful recovery from backups; and
- management periodically monitor backup management activities.

Some areas for improvement have, however, been identified, including

- no periodic reviews or control in place to ensure compliance with the Licensing Act 2003 regulations;
- the assigned owner of the application has not yet formally assumed the role;
- weaknesses in access controls over the M3 application and supporting web based access;
- the process for providing support to the application, both operational and change management, has yet to be formalised;
- manual controls are currently in place to mitigate functions the most recent version of the application supports; and
- a test restore of the application's data has not taken place.

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

Integrated Young Persons Support Service

(Children's Services)

1. Introduction

An audit review of integrated young people's support services (IYPSS) was undertaken as part of the annual audit plan. As part of this audit, visits were made to Rosehill, Pelsall and Aldridge Manor youth centres as well as an in depth review of the head office functions and the youth justice service.

It should be noted that the audit was undertaken in a period of transition and significant change within integrated young people's support services. During this period three service areas (Connexions, Youth Services & the Youth Offending

service) were being integrated into one integrated service with a relatively new leadership team which was not fully embedded until early 2011. During the integration the leadership team were addressing some areas of control weakness within the services. As part of the reconfiguration process, a number of the key staff with previous responsibilities have now left the service and new designated responsibilities and practices have been implemented. IYPSS now has 5 areas of responsibility including:

- positive activities/youth work;
- active involvement;
- youth justice service;
- targeted youth support: and
- IAG prospects.

2. Objectives

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

- adequate planning, service strategies and customer consultation are in place;
- service performance is monitored and managed;
- the service operates within the corporate performance management framework, including:
 - workforce planning
 - IPM, now EPA
 - equalities
 - procurement
 - budgetary control
 - business continuity
 - risk management
 - communications
 - sickness management
 - health & safety
 - information governance
- joint working with partners and other council services is effective;
- procurement is adequately controlled and in accordance with the authority's financial and contract rules 2006 & contract rules 2010;
- income, including grant income, is properly accounted for;
- there are appropriate promotional activities;
- service data and information is accurate, secure and of value to managers; and
- key controls are in place to guard against fraud and irregularity.

3. Conclusions

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the integrated young people's support services.

Some good practices were noted during the audit, including; service planning, monitoring of performance by the youth justice team, joint working initiatives, risk management relating to the IAG (Prospects) contract, effective team communication, and online development of www.mywalsall.org.uk.

A significant number of areas for improvement have, however, been identified, including; performance monitoring, business continuity planning, sickness management reporting, cash income collection and security; and purchasing procedures. Anti fraud and corruptions arrangements require significant management attention. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

Community Mental Health Integrated Team

(Social Care & Inclusion)

1. Introduction

An audit review of the community mental health integrated team (CMHIT) was undertaken as part of the annual audit plan. In October 2008 Dudley and Walsall Mental Health Partnership NHS Trust was formed by Dudley Primary Care Trust, Walsall Teaching Primary Care Trust and Walsall and Dudley Council social care mental health services. Staff were integrated into the north, east, south & west integrated mental health teams, while remaining Walsall council employees. The community mental health integrated team provides mental health services to clients within Walsall. The team undertake assessments, care plans and risk assessments of clients and subsequently make referrals for the appropriate care required. An audit was undertaken at both the north and west integrated mental health teams during this review of the service. The north CMHIT is managed by an NHS employed manager and the west CMHIT by a Walsall council employed manager.

2. Objectives

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

- adequate planning, service strategies and customer consultation are in place;
- 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
- 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;
- adequate documentation is available to support the provision of the service to clients and subsequently arranged care packages/care plans;
- income, including grant income, is properly accounted for; and

- key controls are in place to guard against fraud and irregularity.

3. Conclusions

Internal audit is able to give a limited assurance opinion on the system of internal control operating within the community mental health integrated team.

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

- awareness and promotion of the mental health service;
- establishment and monitoring of performance indicators;
- business continuity planning;
- administration of petty cash; and
- maintaining separate council and NHS asset inventories.

Areas for improvement have, however, been identified, including, ensuring:

- the establishment of a partnership agreement under section 75 of the National Health Service Act 2006 clearly setting out the roles and responsibilities of each partner; such an agreement should also clarify expectations of staff, together with the relevant policies and procedures that should be followed;
- that a team plan is developed and a service risk register put in place;
- performance management arrangements on Oasis are fully implemented;
- compliance with the council's sickness absence procedure;
- the strengthening of procurement and budgetary controls;
- client files are fully complete and reviews undertaken where necessary; and
- the documentation of day to day administration procedures.

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

Learning Disabilities – Satellite Offices

(Social Care & Inclusion)

1. Introduction

An audit review of learning disabilities – satellite units was undertaken as part of the annual audit plan; this included an audit of the head office at Electrium Point; and Rushall, Pleck and Brownhills satellite units. Satellite units provide day care services to adults with learning disabilities. The units are located in various areas within the borough of Walsall with the aim to provide a local service to each service user in line with the personalisation agenda.

2. Objectives

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

- adequate planning, service strategies and customer consultation are in place;
- service performance is monitored and managed;

- the service operates within the corporate performance management framework, including:
 - workforce planning
 - IPM, now EPA
 - equalities
 - procurement
 - budgetary control
 - business continuity
 - risk management
 - communications
 - sickness management
 - health & safety
 - information governance
- joint working with partners and other council services is effective;
- procurement is adequately controlled and in accordance with the authority's financial and contract rules;
- income, including grant income, is properly accounted for;
- there is adequate segregation of duties and controls in place during the payroll process;
- arrangements are in place for controlling accommodation utilisation;
- communication and sharing of information between head office and satellite units is robust;
- activity income is effectively managed, recorded and reconciled; and
- key controls are in place to guard against fraud and irregularity.

3. Conclusions

Internal audit is able to give a limited assurance opinion on the system of internal control operating within learning disabilities – satellite units.

Some good practices were noted during the audit, including; regular communication, timesheets being checked and authorised and the security of cash and assets.

A number of areas for improvement have, however, been identified, including; updating the team plan, measuring and monitoring key service performance measures, compliance with sickness absence management procedures, documenting partnership arrangements, strengthening procurement controls and processes for the administration of cash income. The prompt implementation of actions contained within this audit report will further assist in enhancing procedures undertaken.

Pinfold Day Centre

(Social Care & Inclusion)

1. Introduction

An audit review of pinfold day care centre was undertaken as part of the annual audit plan. Pinfold is a day centre for adults with learning disabilities providing a range of activities including; art classes, physiotherapy, kitchen, and leisure facilities. Following the retirement of the previous manager in January 2010 responsibility for the centre was transferred to the service co-ordinator. Currently, the services provided by the centre are also being transferred to Goscote Centre and the Stan Ball Centre in April 2011 and Pinfold Centre will then close.

2. Objectives

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

- adequate planning, service strategies and customer consultation are in place;
- service performance is monitored and managed;
- the service operates within the corporate performance management framework, including:
 - workforce planning
 - IPM
 - equalities
 - procurement
 - budgetary control
 - business continuity
 - risk management
 - communications
 - sickness management
 - health & safety
 - information governance
- adequate procedures are in place for the planned transfer of services and site closedown;
- 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 is properly accounted for; and
- key controls are in place to guard against fraud and irregularity.

3. Conclusions

Internal audit is able to give a limited assurance opinion on the system of internal control operating within Pinfold Day Care Centre.

Some good practices were noted during the audit, including;

- segregation of duties in the procurement process;
- consultation meetings with staff and service users regarding the transfer of Pinfold Day Care Centre to the Goscote and Stan Ball Centre; and
- the security of cash held.

Some areas for improvement have, however, been identified including;

- developing a team plan;
- undertaking benchmarking with other local authorities and similar organisations;
- budget monitoring;
- completing the closedown procedure checklist;
- reviewing banking controls;
- ensuring that service user files are up to date and include all relevant documentation; and
- the documentation of day to day administration procedures.

Environmental Management

(Regeneration)

1. Introduction

An audit review of environmental management was undertaken during February and March 2009 as part of the annual audit plan. An Environmental Management System (EMS) provides a framework for managing environmental responsibilities efficiently in a way that is integrated into the council's operations and services. Finalisation of the report was delayed pending clarification of national legislative matters and local policy priorities.

2. Objectives

The objectives of the audit were to seek assurance that effective management systems and control arrangements are in place over:

- policy, objectives and environmental intent, including commitment to the corporate social responsibility agenda, exists;
- systems are in compliance with ISO14001;
- environmental programmes are effectively managed;
- resources in respect of environmental programmes are effectively utilised;
- a full risk assessment is undertaken and is being effectively managed;
- robust stakeholder consultation and communication exists;
- audit arrangements are in place and corrective action is taken in areas of non compliance;
- environmental programmes are fully integrated with other council systems;
- adequate management information and budgetary control is in place; and
- robust performance management is in place regarding target / indicator setting and monitoring.

3. Conclusions

Internal audit is able to give a limited assurance opinion on the council's environmental management systems.

Some good practices were noted during the audit, which includes the compilation and approval of the climate change strategy by cabinet. Areas for improvement have been identified, notably that the council has no corporate steer on environmental management which has resulted in the ISO 14001 standard not being adopted or developed.