

Audit Committee – 1 March 2010

Submission of Internal Audit Reports For Scrutiny

Summary of report:

This report presents the two reports selected for scrutiny at the Audit Committee meeting on the 19 January 2010.

Background papers:

Internal audit reports/files/working papers.

Recommendation:

1. To note the contents of the report.



Rory Borealis – Executive Director (Resources)

16 February 2010

SUMMARY OF REPORTS SELECTED FOR SCRUTINY

Strategic Regeneration Framework

The Strategic Regeneration Framework (SRF) was developed as a key driver for the council's programme of social and economic regeneration. The document was finalised in March 2006 and has been developing framework plans via a small central SRF team of officers who are supported as appropriate by the regeneration directorate, other parts of the council and its partners as appropriate.

There are ten regeneration priority areas within the borough and external consultants have been engaged to develop framework plans for those areas to provide the basis for more detailed planning and delivery.

Key partners in the regeneration of Walsall are; Walsall Housing Group (WHG), Walsall Regeneration Company, the Homes and Communities Agency, and yet to be identified private developers. The programme for regeneration is currently housing based and, as part of the approach, a collaboration agreement has been formed between the council and WHG.

This audit review has drawn upon a range of council staff and managers as well as external consultants in developing findings and agreed actions.

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

- The framework is prepared with reference to all service drivers including customer / stakeholder contributions, risk management, benchmarking and council vision;
- The framework is being implemented using sound performance and programme/project management approaches; and
- Corporate governance and partnership arrangements within the framework are adequate and funding opportunities realised and monitored accordingly.

The conclusions detailed within the final report attached at **Appendix 1** were that:

Internal audit is able to give a limited assurance opinion on the system of internal control operating for the SRF as described below:

Good practice was noted during the audit including:

- *Development of an innovative model for the approach to regeneration, i.e. the collaborative agreement between the council, WHG and yet to be identified private developers*
- *Development of project reference groups to act as a conduit for public consultation and engagement*
- *framework Plans are being developed for each of the regeneration areas*

Those areas identified for improvement include those in relation to, benchmarking underpinning the SRF, public engagement about the SRF and associated work, programme/project management, governance structures, funding arrangements and the equalities, diversity and human rights agendas.

A total of 10 actions for improvement were identified as part of the review with 3 being at high priority.

In receiving a response to an internal audit follow up memo on 19 January 2010, the head of regeneration – development and delivery confirmed that 8 of the 10 agreed actions had been fully implemented. The remainder will be implemented by 28 February 2010.

Links to Work (follow up review)

As part of internal audit's formal follow up arrangements, a visit was made to links to work to assess the implementation of previously agreed high priority (3*) actions detailed within the 2006/7 audit report.

While a review of this service is planned for the current year, this early visit was intended to assist managers in ensuring that effective procedures are in place.

The 10 high priority agreed actions which remain applicable from the last audit report, issued on 15 September 2006, were confirmed as implemented by the project manager, links to work on 8 June 2007 (**Appendix 2**).

At this follow up audit, it was noted that 6 of the 10 high priority actions had been fully implemented.

The 4 unimplemented, or partially implemented, high priority actions were reiterated in the report attached at **Appendix 3**, and the manager was advised that these should be

addressed as a matter of urgency to ensure their completion prior to the audit review of this service which is about to commence.

The report also stressed to the manager that he should seek to ensure that any medium (2*) and low (1*) priority agreed actions which remain applicable from the last audit have been fully implemented.

In relation to the implementation of agreed actions, members will note from the report that particular emphasis is placed on the concerns expressed by the Audit Committee and the corporate management team in the overall achievement level across the council of below 75% and that both are looking for improvement by managers in this area.

The report also makes clear that failure by managers to implement agreed actions may well result in executive and assistant directors attendance before the Audit Committee to provide explanation.

In attempting to contact the centre manager on the 3 February 2010 to confirm implementation of the re-iterated actions, the auditor was advised that the officer is presently away from work on sickness absence. In contacting the service manager he stated that he was unable to seek confirmation regarding the implementation of the 3* high priority agreed actions but was confident that good progress would have been made towards their implementation.

As referred to earlier the planned review of this service will be commencing in the very near future.

Resource and legal considerations:

The cost of providing internal audit is charged to services based on audit activity. The strategic regeneration framework project was included within the annual risk assessed audit programme discussed with managers before the start of the respective financial year and the audit visit to links to work forms part of the service's follow up arrangements to confirm the implementation or otherwise of agreed audit report actions.

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 selecting specific reports 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 may 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 was asked to formally confirm that the agreed actions had been implemented. The follow up review is intended to confirm that agreed high priority (3*) actions have been successfully implemented.

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Walsall Council
Internal Audit Service

Strategic Regeneration Framework

Audit Report 2008 / 2009
October 2009

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EXECUTIVE SUMMARY

- A. Introduction
- B. Overall audit opinion
- C. Summary of findings
- D. Acknowledgements

AUDIT OPINION & ACTION PLAN

- 1. The framework is prepared with reference to all service drivers including customer/stakeholder contributions, risk management, benchmarking and council vision
- 2. The framework is being implemented using sound performance and programme/project management approaches
- 3. Corporate governance and partnership arrangements within the framework are adequate and funding opportunities realised and monitored accordingly

EXECUTIVE SUMMARY

A. Introduction

- 1 The Strategic Regeneration Framework (SRF) was developed as a key driver for the council's programme of social and economic regeneration. The document was finalised in March 2006 and has been developing framework plans via a small central SRF team of officers who are supported as appropriate by the regeneration directorate and other parts of the council and its partners as appropriate.
- 2 There are ten regeneration priority areas within the borough and external consultants have been engaged to develop framework plans for those areas to provide the basis for more detailed planning and delivery.
- 3 Key partners in the regeneration of Walsall are; Walsall Housing Group (WHG), Walsall Regeneration Company, the Homes and Communities Agency, and yet to be identified private developers. The programme for regeneration is currently housing based and, as part of the approach, a collaboration agreement has been formed between the council and WHG.
- 4 This audit has drawn upon a range of council staff and managers as well as external consultants in developing findings and recommendations.
- 5 The objectives of the audit were to assess the adequacy of controls governing financial and management arrangements, and to seek assurance that:
 - The framework is prepared with reference to all service drivers including customer / stakeholder contributions, risk management, benchmarking and council vision;
 - The framework is being implemented using sound performance and programme/project management approaches; and
 - Corporate governance and partnership arrangements within the framework are adequate and funding opportunities realised and monitored accordingly.
- 6 Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan has been implemented as agreed. Managers should be aware that a formal response will be required in all cases and that details of these responses will be included within the internal audit quarterly monitoring report to the Audit Committee.
- 7 Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the Audit Committee. This includes providing an overall report opinion and details of agreed actions successfully implemented.

- 8 The committee has expressed concern with a failure, in a number of instances, to implement agreed actions. The committee will seek explanation from managers failing to ensure that appropriate action is taken.

- 9 All audit reviews undertaken include checks that previously agreed actions have been implemented. Due to the disappointing level of overall achievement in this area, executive directors have asked for regular updates on all internal audit reviews undertaken together with details of actions agreed and actually implemented. This is included as a standing item for discussion at all directorate management team meetings.

B. Overall Audit Opinion

1. Internal audit is able to give a limited assurance opinion on the system of internal control operating for the SRF as described below:

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.

2. Good practice was noted in the following areas:
- Development of an innovative model for the approach to regeneration, i.e. the collaborative agreement between the council, WHG and yet to be identified private developers
 - Development of project reference groups to act as a conduit for public consultation and engagement
 - framework Plans are being developed for each of the regeneration areas
3. The areas for improvement described in the action plan cover a range of issues including, benchmarking underpinning the SRF, public engagement about the SRF and associated work, programme/project management, governance structures, funding arrangements and the equalities, diversity and human rights agendas.
4. As this is the first review of the Strategic Regeneration Framework there were no previously agreed audit report actions to follow up.

5. There are three high priority actions:

Section	Action Plan Ref.	Agreed Action
The framework is prepared with reference to all service drivers including customer / stakeholder contributions, risk management, benchmarking and council vision	1.1 (linked to 1.5)	An internal review / appraisal will be completed to ensure the framework studies are compatible with the SRF priorities stated in the BDP, 2006 study.
	1.6 (linked to 3.1)	Terms of Reference for Project Reference Groups (PRGs) will be revised and include stated aims, objectives, purpose and relationship / reporting to LNPs.
Corporate governance and partnership arrangements within the framework are adequate and funding opportunities realised and monitored accordingly	3.2	A report will be submitted to Cabinet in September 2009 regarding arrangements for Development Clawback.

C. Summary of Findings

	Full Assurance	Significant Assurance	Limited Assurance	No Assurance
The framework is prepared with reference to all service drivers including customer / stakeholder contributions, risk management, benchmarking and council vision			✓	
The framework is being implemented using sound performance and programme / project management approaches			✓	
Corporate governance and partnership arrangements within the framework are adequate and funding opportunities realised and monitored accordingly			✓	

D. Acknowledgements

1. The auditors would like to thank the members of staff, managers and external contributors for their open and positive contribution to identifying good practice and organisational development needs during their participation in this audit.

**Strategic Regeneration Framework
AUDIT OPINION & ACTION PLAN**

1. The framework is prepared with reference to all service drivers including customer/stakeholder contributions, risk management, benchmarking and council vision

**AUDIT
OPINION**

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Development of an innovative model for the approach to regeneration, i.e. the collaborative agreement between the council, WHG and yet to be identified private developers

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.1	***	The Strategic Regeneration Framework (SRF) was drawn up using benchmarking data from the late 1990s and early 2000s but has not been updated or reviewed since its adoption in March 2006. It is unclear whether the SRF is robust in its benchmarking and adequately reflects current needs across the borough. As the principal document underpinning regeneration for Walsall it is important that it is seen by the public and stakeholders to be current and relevant.	The council risks pursuing the wrong priorities and failing to demonstrate to the public that their awareness and understanding of the needs of the borough is up to date. Additionally the weak links between the relevant strategies tends to influence public views that the council is not effectively joined up in service delivery.	An internal review / appraisal will be completed to ensure the framework studies are compatible with the SRF priorities stated in the BDP, 2006 study.	Head of Regeneration Development & Delivery November 2009

**Strategic Regeneration Framework
AUDIT OPINION & ACTION PLAN**

		<p>The SRF predated the current work to develop a Black Country Joint Core Strategy (JCS) which officers see as the key driver for development rather than the SRF and it is unclear whether it adequately reflects the current environment, especially having regard to the economic downturn.</p> <p>Additionally while the JCS broadly reflects Sustainable Community Strategy (SCS) themes across the Black Country councils, the SRF predates the formulation of the SCS and does not make explicit the links that are necessary to ensure it remains a key driver to regeneration in Walsall.</p>			
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.2	**	<p>Priorities for development have largely been influenced by the professional judgement of managers with no clear criteria to ensure such decisions are transparent and accountable. In combining this approach with underdeveloped benchmarking it is unclear that the correct</p>	<p>The council risks following the wrong priorities and being unable to provide a robust rationale for decisions made.</p>	<p>The governance structure of the SRF1 has been revisited and revised with involvement from the Homes and Communities Agency (HCA).</p> <p>Regeneration Scrutiny and Performance Panel now have the SRF as part of their work stream and will provide future scrutiny of the SRF programme.</p>	<p>Head of Regeneration Development & Delivery</p> <p>September 2009</p>

**Strategic Regeneration Framework
AUDIT OPINION & ACTION PLAN**

		priorities are being pursued.		The Joint Core Strategy (JCS) Members Group has been established so that members can input and guide the development of the JCS including the phased implementation SRF priorities / strategy.	
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.3	**	<p>Many people interviewed described the council as having a tendency to work in silos with insufficient connection across services to ensure delivery was designed most effectively. Where a more cross-cutting approach has been taken people felt that this could have been initiated sooner.</p> <p>There was little evidence to show how directorates other than regeneration had influenced or had input to the SRF agenda. However, other service areas and directorates were invited to comment on the development of the framework studies and area priorities but chose not to input.</p>	The council risks developing inadequate plans that have not been informed to the fullest by service providers and stakeholders	In the development of the recently commissioned Darlaston SRF study, officers from across different service areas (i.e. green spaces, leisure, housing, transport, economic regeneration) have been engaged in the process at the early stages through inception meetings and individual officer discussions. This will continue throughout the development of this, and future studies.	<p>Head of Regeneration Development & Delivery</p> <p>September 2009</p>
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale

**Strategic Regeneration Framework
AUDIT OPINION & ACTION PLAN**

1.4	**	<p>The SRF and JCS support regeneration led by housing regeneration and some people interviewed felt that there was insufficient account taken of the need for economic regeneration. The developing JCS suggests that the balance between housing and economic regeneration should be reviewed if goals were not being attained and the current economic downturn might be an opportune time to review the focus.</p>	<p>The council risks developing plans that it cannot deliver and levels of housing and economic regeneration that are not achievable</p>	<p>Officers are undertaking the production of the:</p> <ul style="list-style-type: none"> • Strategic Housing Land Availability Assessment; • Employment Land Review; and • Open Space, Sport and Recreational Facilities Assessment <p>to support the Joint Core Strategy evidence base.</p> <p>This work will assess the availability, needs and targets of housing, employment and recreational land and provide evidence to allow review of how SRF priorities support JCS targets.</p>	<p>Head of Regeneration Development & Delivery January 2010</p>
1.5	**	<p>Framework plans for each of the regeneration areas are being developed in isolation from each other with no formalised overview of the impact one might have upon another. Some people interviewed felt that the emphasis in one area might be to the detriment of another or that the ambition demonstrated in one plan was not evident in others where more traditional approaches to regeneration were</p>	<p>A fragmented delivery of inequitable outcomes</p>	<p>See Action 1.1 (review of SRF priorities)</p>	<p>See Action 1.1</p>

**Strategic Regeneration Framework
AUDIT OPINION & ACTION PLAN**

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.6	***	<p>being followed.</p> <p>Each of the regeneration areas has a project reference group (PRG) set up associated with its work. These PRGs involve Members, stakeholders and the public where they wish to volunteer to be involved. Some are chaired by a Member. The PRG is the conduit for public engagement and they have a varied approach to developing public engagement. There is no overall guidance about how the PRGs should work and little evaluation of their effectiveness in delivering to their purpose.</p> <p>There is also overlap with the work of other groups such as local neighbourhood partnerships (LNP).</p> <p>Some of the issues raised at PRG, e.g. fly-tipping, anti-social behaviour/crime do not appear to be relevant to their purpose and more relevantly raised elsewhere.</p>	The council risks distancing citizens from the regeneration agenda and confusing the engagement agenda.	Terms of Reference for Project Reference Groups (PRGs) will be revised and include stated aims, objectives, purpose and relationship / reporting to LNPs.	Head of Regeneration Development & Delivery January 2010

**Strategic Regeneration Framework
AUDIT OPINION & ACTION PLAN**

		<p>There is no explicit aim to use PRGs to contribute to strategic aims such as community cohesion, democratic engagement, equalities and diversity.</p> <p>As a result opportunities to ensure PRGs add value to the regeneration and wider agendas are being lost.</p>			
Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
1.7	**	Each regeneration project has its own risk management addressed in its own sphere of influence. However, there is no assessment of risk for the SRF itself. Neither is there a formal overview of the approach to risk across the silos of project work.	The council risks not identifying issues for the SRF itself and by not having a formal overview of the projects risks inequitable service delivery.	A formal risk management action plan will be produced for the SRF. This will be done in conjunction with the review of SRF priorities (see Action 1.1)	Head of Regeneration Development & Delivery November 2009

**Strategic Regeneration Framework
AUDIT OPINION & ACTION PLAN**

2. The framework is being implemented using sound performance and programme / project management approaches

**AUDIT
OPINION**

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Framework plans are being developed for each regeneration area

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
2.1	**	The council has no formal corporate programme management approach to ensure that projects, and the way they address their work and risks, do not duplicate or conflict with each other. As a consequence there is no corporate overview of the issues affecting projects and programmes. However, high level SRF projects are considered by CMT through the project register and reports submitted to CMT as appropriate.	The council risks not delivering value for money in service delivery	The governance structure of the SRF has been reviewed, including the Executive Board whose membership includes the Executive Directors of Regeneration and Social Care & Inclusion. Additionally, the Joint Core Strategy Member Group will now be used to address issues such as the phasing of the SRF.	Head of Regeneration Development & Delivery September 2009
2.2	**	There is no formal action plan for	Without formal plans,	See Action 2.1 (governance structure	See Action 2.1

**Strategic Regeneration Framework
AUDIT OPINION & ACTION PLAN**

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
		<p>the delivery of the overall SRF agenda with appropriate milestones and reviews of progress built in. Thus there is little reassurance for the public and stakeholders about delivery.</p> <p>However, individual projects are monitored through the corporate project register system.</p>	<p>albeit subject to revision, outcomes will not be delivered in as timely a fashion as possible and agendas may slip.</p>	<p>and Member group)</p>	
2.3	**	<p>Several people interviewed for this audit identified a lack of joined-up thinking between the executive and service areas. They described a gap of a missing level of support at a corporate level that ensured the various agendas and strategies were coherent and integrated and that priorities and workplans properly meshed together. This echoes issues about the strategies not being robustly linked and silo working, for example, links to SCS, effective engagement and consultation.</p>	<p>The council risks gaps in service delivery and not delivering value for money services</p>	<p>See Action 2.1 (governance structure and Member group)</p>	<p>See Action 2.1</p>

**Strategic Regeneration Framework
AUDIT OPINION & ACTION PLAN**

3. Corporate governance and partnership arrangements within the framework are adequate and funding opportunities realised and monitored accordingly

**AUDIT
OPINION**

Limited assurance can be given that controls are in place to meet objectives in this area

Good practice includes:

- Development of project reference groups to act as a conduit for public consultation and engagement

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Time scale
3.1	***	Terms of reference for the Project Reference Groups (PRGs) governance structure were drawn up in February 2009 to be adopted by the new emerging governance structures. The ToRs are not detailed and sufficiently explicit about a variety of issues, for example, quorum, decision-making, minimum standards, relationships with other for a, accountability, transparency, access to their minutes, which are not currently easily accessible.	PRGs will not fulfil expectations of the public or the council and miss opportunities to deliver on wider strategic aims.	See Action 1.6 (PRGs terms of reference)	See Action 1.6

**Strategic Regeneration Framework
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Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.2	***	While there is a collaborative agreement in place for the council and WHG to work together to deliver a programme of housing led regeneration, there was no agreement about how the current 'clawback' arrangements should operate if either sells land. Without such an agreement the collaborative agreement may well be inoperable.	Housing led regeneration might fail without an agreement on 'clawback' monies.	A report will be submitted to Cabinet in September 2009 regarding arrangements for Development Clawback.	Head of Regeneration Development & Delivery September 2009
3.3	**	An Equalities Impact Assessment (EIA) should be completed for all major initiatives. It would appear that only one EIA has been completed in relation to the SRF agenda, for the Willenhall proposals.	Failure to complete EIA's may mean equalities issues may not have been taken account of in development / change of key policies/ strategies.	A review has been undertaken of those Equalities Impact Assessments (EIAs) completed to date. Further EIAs will be completed as appropriate, including one for Darlaston SRF currently being produced.	Head of Regeneration Development & Delivery September 2009
3.4	**	There is a concern amongst officers that, portfolio holders apart, Members' awareness and understanding was sufficient across the regeneration agenda to ensure robust and informed decisions were being made at council meetings and other fora, such as PRGs.	Members become too reliant upon officers for decisions and diminish their role as democratic representatives and public confidence.	See Actions 1.2 (SRF scrutiny) and 2.1 (governance structure and Member group)	See Actions 1.2 and 2.1

**Strategic Regeneration Framework
AUDIT OPINION & ACTION PLAN**

Ref	Priority	Finding	Risk Exposure	Agreed Action	Responsibility & Timescale
3.5	**	<p>The approach to developing the SRF agenda has involved the council tendering for consultancy services for each of the regeneration projects. There are mixed views on the effectiveness of this approach, in that it introduces inconsistency across projects. However, there has been little consideration of an approach that required a single tendering process to select consultancy services to deliver the total regeneration agenda. Officers suggested that savings could have been made if a single tender approach had been adopted and possibly achieving a more consistent and joined up delivery across the borough.</p> <p>All framework studies were tendered and met procurement procedure rules.</p>	Value for money, consistency and equitable delivery have been lost or jeopardised.	Single tendering across SRF projects will be considered as appropriate when the situation arises.	<p>Head of Regeneration Development & Delivery</p> <p>September 2009</p>

Walsall Council
Internal Audit Service

NAME OF AUDIT

Date of Final Report

or

b. I can confirm that all agreed recommendations due for implementation have been successfully actioned, with the following exceptions *:

Action Plan Ref.	Action	Progress to Date	Revised Completion Date	Reason for Revised Date
4.1	Cash held, Officers should ensure that safe limit of £2,500 is not exceed.	We have checked with Insurance Department, our safe cannot be insured for more	April 2007	Reason as explained in progress to date and new financial year.
		£2,500. Therefore 3 quotes obtained for new safe, due to budget pressures we are presenting		
		the 3 quotes at the next budget monitoring meeting on the 1 February 2007.		

* Delete whichever inappropriate

Name ...Graham Jones.....

Signature

Post ...Manager.....

Date ...17 January 2007.....

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All Rec's

Now
Considered
Implemented
S. Cooper
8.6.07

Cooper Sue

From: Jones Graham
Sent: 07 June 2007 08:12
To: Cooper Sue
Cc: Bahia Ramandeeep
Subject: RE: Audit follow up

Hi Sue.

We have placed the order for new safe awaiting delivery, Ram has the details and will forward to you.

Ram please forward details re safe to Sue.

Regards
Graham Jones.
Links To Work
Business Development Manager.
jonesgraham@walsall.gov.uk

☎ 01922 408190

*Environmental Awareness Award Winner's 2006
Annual Environmental Improvement Award Winner's 2006*

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-----Original Message-----

From: Cooper Sue
Sent: 05 June 2007 16:59
To: Jones Graham
Subject: Audit follow up

Please see attached

*Sue Cooper
Internal Audit
(01922 65) 2971
E-mail coopers@walsall.gov.uk*

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Walsall Council
Internal Audit Service

**Links to Work Audit Report 2006/7 –
Follow Up**

Follow Up Audit Report 2009 / 2010
November 2009

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- B. Overall audit opinion
- C. Acknowledgements

AUDIT OPINION & ACTION PLAN

EXECUTIVE SUMMARY

A. Introduction

1. A follow up audit of high priority (***) agreed actions contained within the links to work audit report 2006/7 has been undertaken.
2. The objective of the follow up audit was to assess the implementation of previously agreed high priority actions. This followed confirmation from manager(s) that actions have been completed. While a review of this service is planned for the current year, this early visit will assist managers in ensuring that effective procedures are in place.
3. Managers will be aware that both the Audit Committee and the corporate management team have recently expressed concern in the overall achievement level across the council of below 75% and, in looking for improvement from managers agreed, among others:
 - an achievement level of 100% for 3* actions (high priority) and 95% for 1* and 2* actions (low to medium priority); and
 - internal audit undertake early follow up visits to confirm that 3* actions have been implemented.
4. Failure by managers to implement agreed actions will result in Executive and Assistant Directors attendance before the Audit Committee to provide explanation.

B. Overall Audit Opinion

1. The 10 high priority (***) agreed actions which remain applicable from the last audit report which was issued on 15 September 2006, were confirmed as implemented by the project manager, links to work on 8 June 2007.
2. At this follow up audit, it was noted that 6 of these high priority actions had been fully implemented.
3. The 4 unimplemented, or partially implemented, high priority actions have been reiterated in this report. These should be addressed as a matter of urgency to ensure that effective procedures are in place, prior to the audit review of this service which will shortly take place in the current financial year.
4. Managers should also seek to ensure that any medium (**) and low (*) priority agreed actions which remain applicable from the last audit have been fully implemented.
5. Managers success or otherwise in implementing the agreed actions will be included in our later planned review and within reports to Audit Committee and directorate management teams.

C. Acknowledgements

1. Please thank the project manager, team leader and administrative assistant for their help and co-operation during the audit, particularly for making records available and providing suitable accommodation for the auditor.

**Links to Work Audit Report 2006/7 – Follow Up
AUDIT OPINION & ACTION PLAN**

1. Follow Up

ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Previously Agreed Action and Responsibility & Timescale	Follow Up Status / Further Action
1.1	***	Day to day office financial/administrative procedures have not been recorded in writing.	In the absence of certain officers, other staff may not be aware of their roles and responsibilities.	All financial/administrative procedures should be comprehensively detailed in writing. Once completed, procedures should be issued to relevant staff who should sign for their receipt. Thereafter procedures should be reviewed and updated/amended on an annual basis and signed and dated by the completing officer. Manager/ administration team leader/ accounting technician/ 31 August 2006.	Partially Implemented. At the time of the follow up audit procedure notes had not been signed and dated by completing officer. This should be addressed as a matter of urgency. Revised completion date: 23 October 2009 – Completed Responsibility: Strategic Manager (GJ)

**Links to Work Audit Report 2006/7 – Follow Up
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Previously Agreed Action and Responsibility & Timescale	Follow Up Status / Further Action
2.1	***	Contracts are not issued to service users who are attending Links to Work.	In the event of a dispute/query terms and conditions of provision may be unclear.	Consideration should be given to the issue of contracts to service users who attend Links to Work. Manager/ supported employment co-ordinator/ 30 December 2006.	Not Implemented. This should be addressed as a matter of urgency. Revised completion date: 30 November 2009 Responsibility: Strategic manager (GJ)/ Assistant personnel officer (RD)
4.1	***	Cash held in the safe at the time of the audit visit totalled £3,175.95. However, the current safe limit approved by the councils insurance section for Links to Work is £2,500. The safe limit had therefore been exceeded by £675.95.	In the event, for example, of theft/fire, the safe contents may not be adequately insured.	Officers should ensure that the safe limit of £2,500 is not exceeded. (*) Agreed. Will endeavour to keep the safe limit below £2,500 and will explore the possibility of obtaining another safe. To raise the issue of purchasing another safe at the next budget meeting. Manager/31 August 2006.	Implemented.

**Links to Work Audit Report 2006/7 – Follow Up
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Previously Agreed Action and Responsibility & Timescale	Follow Up Status / Further Action
5.1	***	From a sample of 10 officer paying in slips 5 occasions were noted where the same officer had signed the paying in slip to acknowledge the banking of income and had reconciled income banked to oracle.	Potential for misappropriation of cash.	A second officer should verify details of income banked to oracle general ledger. Any omissions/exceptions should be immediately investigated. Evidence of this check should be noted in records maintained. Manager/ accounting technician/ Implemented.	Not Implemented. This should be addressed as a matter of urgency. Revised completion date: 2 November 2009 Responsibility: Senior accountant (LT)/ Strategic manager (GJ)
8.1	***	The service currently faces significant budget pressures for 2006/7. While a risk assessment on action that may be taken to minimise the potential overspend has been prepared it was under consideration by management at the time of the audit visit.	Potential that the 2006/7 budget may be exceeded.	The potential overspend should continue to be closely monitored, corrective action taken where appropriate and reported on a regular basis to senior management. Agreed. This has been raised with the senior management team and is being monitored on a continuous basis. Manager in liaison with head of service/ ongoing.	Implemented but ongoing. The service remains under significant pressure to achieve savings targets.

**Links to Work Audit Report 2006/7 – Follow Up
AUDIT OPINION & ACTION PLAN**

ACTION PLAN					
Ref	Priority	Finding	Risk Exposure	Previously Agreed Action and Responsibility & Timescale	Follow Up Status / Further Action
9.1	***	While internal requisitions had been completed within Links to Work and forwarded to the adult services payments and purchasing team, corresponding official orders had not been raised for 4 out of 10 invoices sampled. (invoice numbers 521/05/NW, 179, 662, 348942)	Non compliance with the authority's financial procedure rule 8.2.1.	<p>Officers should be reminded in writing of the importance of adhering to financial procedure rules. They should sign to acknowledge receipt of and their intention to comply fully with this control. Agreed. A reminder memorandum was sent out to cost centre managers in May 2006 in accordance with the accounts payable audit. Senior finance officer (adults)/ Implemented.</p> <p>In accordance with the authority's financial procedure rule 8.2.1 official orders should be raised, for all work, materials, goods or services to be supplied to the council. This should be prior to receipt of the goods/invoice. Agreed. A project to devolve processing of orders to establishments is on-going and this is to be incorporated into procedures. A reminder memo was also issued in May 2006. Senior finance officer (adults) 30 September 2006.</p>	<p>Implemented.</p> <p>Implemented.</p>

**Links to Work Audit Report 2006/7 – Follow Up
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Previously Agreed Action and Responsibility & Timescale	Follow Up Status / Further Action
9.2	***	Two internal requisitions, from a sample of ten, had not been authorised for payment by an appropriate officer. (internal requisitions 64546, 67037).	Unauthorised payment made.	All internal requisitions should be authorised by an appropriate officer. Manager/Implemented.	Implemented.
9.3	***	Of a sample of ten invoices, one occasion was noted where tenders had not been obtained for the supply of 2 vending machines, a contract which, over its 5 year term, will total £36,092. In accordance with contract procedure rule 18, tenders should have been sought. (invoice number 000000615653).	Non-compliance with the authority's contract procedure rule 18.	In accordance with the authority's contract procedure rule 18, written quotations should be obtained from at least three different persons for all goods, materials, services or works whose value is estimated to be £2,000 or greater but less than £25,000. Formal tenders should be obtained where expenditure exceeds £25,000. Staff should be reminded in writing of the contents of contract and financial procedure rules and the need to adhere to them at all times. Officers should sign to acknowledge receipt of and their intention to fully comply with this procedure. (*) Manager/ accounting technician/ 30 September 2006.	No relevant items of expenditure were identified during the following up audit visit for verification. Implemented.

**Links to Work Audit Report 2006/7 – Follow Up
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Previously Agreed Action and Responsibility & Timescale	Follow Up Status / Further Action
17.1	***	No evidence of an approved charging policy could be located in support of the £50 per week charge made to Cannock Council with regard to the out of borough client who attends the centre (KE).	<p>Unauthorised charges may be made.</p> <p>Non compliance with financial procedure rule 8.1</p>	<p>A charging policy, based on the cost of service provision, should be compiled. Once completed this policy should be approved and regularly reviewed in line with corporate policies.</p> <p>Manager/ supported employment co-ordinator/31 December 2006.</p>	<p>Partially Implemented.</p> <p>A charging policy was compiled in September 2006 but has not been formally agreed. This should be addressed as a matter of urgency.</p> <p>Revised completion date: 30 November 2009</p> <p>Responsibility: Strategic manager (GJ)/ Joint strategic commissioning manager (IS)</p> <p>In respect of client KE, a letter dated 13 October 2006 from Staffordshire County Council agreeing their contribution to client KE's daily funding is on file.</p>

**Links to Work Audit Report 2006/7 – Follow Up
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Previously Agreed Action and Responsibility & Timescale	Follow Up Status / Further Action
17.2	***	Through discussion with officers it was identified that the out of borough attendee (see above) attends the centre 5 days per week but the current charge made is only based on 2 days attendance.	Potential loss of income.	<p>The charges to Cannock Council should be revised with immediate effect to reflect the correct number of days attended.</p> <p>Consideration should be given to invoicing Cannock Council for the period they have been undercharged. Manager/ supported employment co-ordinator/ immediately for charging on 5 day basis. 31 December 2006 to implement charging policy.</p>	<p>Implemented.</p> <p>Implemented. Managers considered it to be inappropriate to make further retrospective charges.</p>