

Audit Committee – 25 June 2009

Annual Report of the Chief Internal Auditor on the Overall Adequacies of the Internal Control Environment

Summary of the Report

Based solely on the work undertaken by internal audit and its contracted partner organization in 2008/9, a satisfactory level of assurance can be provided in relation to Walsall Council's overall system of internal control.

This opinion is given on the basis of positive action taken by managers to address identified control weaknesses and by providing evidence to auditors confirming that they had implemented or agreed to implement agreed actions detailed within audit report action plans.

Recommendation

- 1. To note the contents of the report.**



James Walsh
Chief Finance Officer
11 June 2009

Resource and legal considerations

The Accounts & Audit (Amendment) Regulations 2006 require councils to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. The CIPFA Code of Practice 2006, which sets out the proper practice for internal audit, requires the chief internal auditor to provide an annual report to those charged with governance (this role is discharged by the audit committee at Walsall Council), which should include an opinion on the overall adequacy and effectiveness of the council's control environment.

Governance Issues

Responsibilities

It is a management responsibility to develop and maintain the internal control environment. Internal audit's role is to form an independent and objective opinion on the overall adequacy and effectiveness of the internal control environment (system of internal control).

Control Environment

The CIPFA Code of Practice 2006 states that the control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organization's objectives;
- the facilitation of policy and decision making ensuring compliance with established policies, procedures, laws and regulations;
- ensuring the economic, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised;
- the financial management of the organization and the reporting of financial management; and
- the performance management of the organization and the reporting of performance management.

Citizen impact

This report reinforces the protection to the council and its officers in respect of the robustness of the internal control framework, and is an integral part of the assurance provided to chargepayers on the security of the council's activities and operations.

Performance Management and Risk Management Issues

The activities of the audit committee are an integral part of the council's performance management and corporate governance framework. It can challenge, review and advise on service delivery, council activity and policy with the aim of improving results. The internal audit strategic plan is risk assessed to ensure those areas most at risk are examined as a priority. Regular quarterly reports dealing with internal audit performance and achievements during 2008/9 have been provided to the audit committee and a final report for the year will be considered at this evening's meeting.

Equality Implications

None arising from this report.

Consultation

The assistant director's signature on this report demonstrates that it has been endorsed by the council's statutory chief finance officer.

Background papers

Internal audit reports/files/working papers.

Author

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Chief Internal Auditor's Opinion on the Council's Internal Control Environment

Summary of Opinion

In my opinion, formed solely on the basis of the work undertaken by internal audit and its partner organization in 2008/9, and the positive action taken, intended to be taken or confirmed as having been taken by managers to implement agreed audit report actions, Walsall Council's overall system of internal control facilitates the effective provision of the council's functions and provides a satisfactory level of assurance regarding the effective, efficient and economic exercise of the council's functions.

Control weaknesses were identified during the 2008/9 financial year and were reported as such to the relevant managers. The opinion as to the level of assurance that can be placed on the system of internal control is based on evidence provided by managers to auditors confirming that they had implemented or agreed to implement actions detailed within agreed audit report action plans in the areas for which they are responsible. These are considered within the report.

The system of internal control can only provide reasonable and not absolute assurance regarding the achievement of the council's policies, aims and objectives. The opinion is based on work in the approved operational audit plan, including irregularity, consultancy and advisory work carried out in 2008/9.

All audit work is subject to agreed terms of reference, objectives and resources allocated by the council for that purpose.

External audit review of internal audit

The external auditor's *'Interim Audit Report 2007/8'* states, among others, that:

Executive Summary:

- '..To the extent covered by the review, we are satisfied that Internal Audit complies with the CIPFA Code of Practice of Internal Audit and we will aim to place reliance on its systems work where this will reduce the level of our detailed final accounts testing
- The high level controls operating at the Council are considered adequate for our external audit needs, with few deficiencies noted....'

Review of Internal Audit Function:

- Overall we have concluded that Internal Audit provides an independent and effective service to the Council. Areas of good practice include:
 - key controls for each system are identified and tested;
 - a formal Internal Audit Charter has been established;
 - an annual strategy is used to plan work and monitor progress;
 - actions and timescales are agreed with management in response to findings;
 - an Annual Report from the Head of Internal Audit is presented to the Audit Committee.
- We consider that Internal Audit arrangements are sufficient for us to place reliance on relevant systems work, where this will reduce the level of our detailed final accounts testing..'

Their review identified one recommendation in relation to implementation of agreed audit report actions by managers which is being addressed.

The draft external audit 'Strategy document for the year ending 31 March 2009' concludes that internal audit provides an independent and effective service to the Council and complies with the CIPFA Code of Practice for Internal Audit. The external auditor will aim to place reliance on our systems work where it will reduce the level of their detailed final accounts testing.

Basis of Audit Opinion

The council's financial and contract rules require maintenance of an internal audit service to provide an independent and objective appraisal function for reviewing the system of internal control. It should examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Many discrete elements of audit work form a contribution to the opinion. These include planned cyclical audit work, following up previous years' audit reviews, irregularity and consultancy work and also general professional advice where no formal report may have been issued but which contribute to the overall opinion.

Audit activity is planned on a risk-based, systematic approach which incorporates the results of consultation with executive directors, assistant directors and senior managers. The council's statutory Section 151 Officer (assistant director – finance) approves the strategic audit plan which is also endorsed by the corporate management team (CMT) and the audit committee.

There were no constraints placed on the scope of internal audit work in the year. Unplanned work was lower than anticipated (by 128 days) but arising from an inability to recruit to a principal and auditor positions, it became possible for auditors who would normally deal with fraud or irregularity referrals to be able to undertake some of the vacant principal and auditor positions' work. It was however, necessary to allocate some planned regularity work to our private sector partner. Resources were available to meet this demand and our partner followed internal audit's approach in undertaking their audit work.

For each area of planned audit activity, an overall audit opinion is reported with the range of assurance opinions being given. The levels of assurance rating are described as follows:

Overall Audit Opinion	
Full Assurance	Full assurance that the system of internal control is designed to meet the organization'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 organization'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 organization'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 organization's objectives in the areas reviewed.

Appendix A details the overall audit rating for each review undertaken during 2008/9 and **Appendix B** details, among others, the audit opinion on all fundamental systems/processes audited during the year.

The Internal Control Environment

During 2008/9, 119 specific audit reviews were undertaken excluding unplanned irregularity and consultancy work. This included producing one comprehensive report only for certain fundamental system reviews rather than a separate report for each directorate – debtors, creditors and budgetary control. Although most of the reviews, 91 (77%), received a full or significant audit opinion, 28 reviews received an opinion rating of limited (20%) or no assurance (3%).

Fundamental financial systems:

These are shown at **Appendix C** and are operating satisfactorily, all receiving either full or significant assurance opinions.

With regard to the 'payroll' review, this received a borderline significant opinion, the same rating as the previous year. The summary audit opinion for payroll states:

- Some progress had been made in actioning previously agreed audit report actions and a number of areas of good practice were noted during the review, including the continuing development and improvement of HRD direct, the corporate employee and manager portal, improvements in systems for the verification of the establishment structure, including the availability of structure information via HRD Direct and 'structure surgeries', segregation of duties via individual teams such as the transactional recruitment team and the transactional team, sample second checking and the use of 'Intelligent' and an electronic database for the management and recording of personal files.
- Areas for improvement were, however, identified in ensuring controls and processes are fully embedded, for example, in the processing of new starters, variations to pay and leavers.

Other financial/non financial systems:

During 2008/9 audit reviews were undertaken of other financial/non financial systems and processes that contribute to the council's overall corporate governance arrangements. The work identified that although in most audit assignments the processes examined were generally working satisfactorily, system weaknesses were identified in a number of services as shown on **Appendix C**. A number of high priority suggested improvements were made during the year to address control weaknesses and all were agreed for implementation by managers.

The reviews within Appendix C detail those from a number of services and functions including environmental management, strategic regeneration – delivery and development, officer delegations, scrutiny, transformation, sponsorship, LNPs, catering, children's services, procurement / commissioning, partnerships and sickness absence. The overall summary audit opinions are shown within the Appendix together with areas of good practice and areas where control weaknesses were identified.

Contractors' final accounts:

In accordance with financial and contract rule 15.3.1 (b) final accounts with a value £150k or more should be made available for review by internal audit along with details relating to obtaining authority, planning, tendering, award, operation and payments relating to the project.

A total of 16 final accounts were examined during the year. This involved a comparison of the documentation provided with the council's requirements as expressed in its financial and contract rules. Ten of these reviews were given a limited or no assurance rating as shown on Appendix C and were considered to have been poorly managed. Suggestions for improvement were agreed by managers. Reasons for criticism of systems used to control major contracts include:

Failure to obtain appropriate authority: While some good practice was noted in the tendering and award of contracts, there have been a number of instances where managers failed to obtain appropriate authority either to commence the procurement process or to approve the appointment of a contractor.

Lack of documentation / surety / contract under seal: On a number of occasions, documents were not available through which to evidence a contractor's compliance with race relations, health and safety, and contract design and management requirements. There were also instances where the creation of a surety against the works' completion had not been evidenced or where the council's contract had not been executed under the council's seal but had relied upon official orders, exchange of letters or signed documents.

Documentation approving additional works / time extensions: Performance of contracts appears to have been generally good, but instances were found where requests for additional works had not been documented at the time they were ordered or where extensions of time had been agreed but remained uncertified.

Delays in submitting final accounts to audit: A major concern was the delay in providing agreed final accounts to the auditor. A number of these accounts were completed by officers not in post at the time works were planned or procured. This led to the late production of certificates showing the making good of defects, completed projects and to the absence of calculations for certain additional payments.

Auditors have received assurances from managers that they have implemented procedures to minimise the risk of these control weaknesses recurring. Such assurance has also been received in respect of those accounts relating to property services where procedures are also being implemented as part of their transformation agenda.

By their nature these final accounts are historical and those officers responsible for failure to comply with financial and contract rules, or previous procedures, have now, in the main, left the authority's employment. Senior managers now in place are concerned to ensure that previously encountered procedural difficulties are not repeated and have stated to auditors their intention to continue to take robust action in making sure that their officers follow the approved rules at all times.

Computer Audit Work:

Computer audit work is undertaken, under contract, by our external audit partner. During the year they completed 5 specific projects and details of the work undertaken are shown at Appendix B.

One of the reviews in relation to Software Licensing received a limited assurance opinion and key improvement actions required included, approval of the council's policy on software purchasing, improved wording within the 'ICT Workstation Policy', software licences to be held centrally, security of equipment to prevent unlicensed software installation, recovering residual value of software licences when no longer required, preparing up to date IT Strategy and plans to implement medium to long term governance arrangements.

Appendix C lists the 28 audit reviews where a limited or no assurance opinion rating was given (excluding unplanned irregularity and consultancy work). The summary shows the status of each review as at 31 March 2009 and indicates managers' agreement to report action plans. A small number of reports have yet to be finalised.

Advice and Consultancy

Professional advice and consultancy assistance was provided to managers during the year with details of this work being reported quarterly to the Audit Committee. The work has been varied and included attendance at, or contribution to, a number of working groups such as procurement executive, partnership governance, finance direct, direct payments and domiciliary care.

Audit officers have also continued to play a key role in the preparation of the draft procurement code and review of financial and contract rules and had input into the many policy and procedural reviews such as phone usage, e mail / internet, mayor's charity, payment cards, gifts and hospitality, taxi licensing and anti fraud /corruption.

A database has been created to record all enquiries to auditors. This has highlighted the type and extent of advice provided to managers. During the year ending 31 March 2009 approximately 360 responses to requests for advice were provided, many of these were detailed and required one or more emails.

Fraud and Irregularity

A total of 117 suspected frauds and irregularities were reported to the service during the year, none being notified through the whistleblowing procedure. A contingency exists within the annual audit plan for this type of work, including consultancy. A lower than anticipated level of time was spent on this work during the year; a reduction of 128 days. A summary of the audit inquiry work undertaken is reported quarterly to the audit committee. While none of the cases were material in the context of the Annual Governance Statement, a brief summary of a number of the cases is shown below:

Internet / e mail systems' misuse / inappropriate computer content

A number of managers reported concerns with employees allegedly making inappropriate use of the council's internet and e mail facilities and downloading inappropriate material onto the council's equipment. All reported cases were investigated and the majority resulted in disciplinary action being taken. The number of reported cases is much reduced in comparison to previous years.

The e mail and internet policy is currently under review to address those areas where weaknesses have been identified.

Freedom of Information / Data Protection Act requests

Statistical information and responses in connection with surveillance work approved under the Regulation of Investigatory Powers Act (RIPA) 2000 were provided to enable responses to be made to several media and councillor requests for information.

Assistance with external inquiries

Audit assistance provided in order to progress the external investigations undertaken by the police (NRF) and external solicitors (grievance issues).

Misuse of funds/resources

Several cases were reported alleging misuse of grants, resources, equipment, car mileage and the ATR system. All were investigated and action taken as appropriate.

Contract issues

Allegations regarding inappropriate revenue contract awards were received. The matters were fully investigated and actions agreed to improve future awards of this type.

Other audit activity

Appendix B, in addition to providing the audit opinion on key system work, also sets out completed computer audit activity and school audit visits (FMSiS reviews).

Performance of the Internal Audit Service

The overall performance of internal audit in 2008/9 will be reported to this evening's meeting and will demonstrate a high level of performance indicator achievement for the year including undertaking 95% of the approved audit work plan.

The report will also show that 75% of desired outcomes arising from earlier internal audit findings were confirmed as achieved at internal audit's next visit, a reduction on last year's 78%. That is, while 75% of control issues identified in previous audits were found to have been fully addressed at the next audit, 25% continued to be identified as issues requiring further management attention to resolve. There are cases where managers have fully or partly implemented agreed actions, but their actions have not been completely successful in addressing control weaknesses identified.

A 75% level of achievement of desired outcome remains slightly disappointing, given the extent of follow-up arrangements now in place to improve management's performance in this area and the positive action taken by directorate managers to implement agreed actions. The chief executive has made it very clear to his management team that he expects executive directors to take personal responsibility for delivery of the necessary outcomes. The corporate management team considered a report of outstanding agreed actions on 11 June 2009 with a view to improving performance in this area and there is a much stronger understanding about the issues arising. This will feature regularly on the corporate management team agenda to ensure a strong team ethos in pursuing the desired outcomes notwithstanding that earlier management actions have been taken.

The directorate management teams' involvement in seeking assurance from their managers that they have implemented or are taking action to implement agreed actions should also assist the process. The audit committee has remained insistent that this level of achievement should improve and the potential for executive and

assistant directors, whose managers fail to implement agreed actions, having to attend before the committee to provide explanation, will be re-enforced.

In considering the annual report at its 23 June 2008 meeting, the committee was concerned with the level of achievement in this area. This resulted in a report to CMT on the 31 July 2008 where a number of actions were agreed with a view to improving performance. This included increasing the target level for implementation of agreed actions from 95% for all actions to 95% for 1* and 2* actions and 100* for 3* actions.

Those reviews where agreed actions have been re-stated are included within the internal audit activity report for the year ending 31 March 2009 on this evening's agenda.

As part of the Annual Governance Statement process, executive directors and assistant directors are asked to sign off the schedule of reports and agreed actions confirming that their managers had taken all appropriate action to implement agreed actions. All have returned their signed schedules to the 31 December 2008 and the documents to the 31 March 2009 will be signed returned by the 24 June 2009.

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David Blacker
Chief Internal Auditor
11 June 2009

TASK	Auditor	Completed Date	Not Achievable	Overall Assurance Rating
COUNCIL STRATEGIC:				
Financial & Contract Rules	SO	31.03.09		n/a
Charity Meetings	Various	31.03.09		n/a
Benchmarking	DB/MA	31.03.09		n/a
IPM - Internal Audit	Various	31.03.09		n/a
Data Matching Regional / NFI	DB/MA	31.03.09		n/a
RIPA (DB)	DB	31.03.09		n/a
Service Planning - Internal Audit	CB	31.03.09		n/a
FOIA and DPA	CONS	20.05.09		significant
UNPLANNED	Various	31.03.09		n/a
MAJOR SYSTEMS:				
DELIVERY & DEVELOPMENT:				
Environmental Management	CONS	draft		limited
Regeneration - Delivery & Development	CONS	draft		limited
Local Authority Business Growth Initiative	CONS	09.06.09		significant
PLANNING & BUILDING CONTROL:				
Planning	ES	13.05.09		significant
STRATEGIC REGENERATION:				
Transportation Strategy	CONS	09.06.09		significant
WALSALL BOROUGH STRATEGIC PARTNERSHIP:				
Local Area Agreements (inc NRF)	MA	n/a		SoU Opinion
FINANCE:				
Council Tax / NNDR	ES	28.05.09		significant
Housing and Council Tax Benefits	CONS	08.04.09		significant
Income Management System	CONS	27.01.09		significant
Nominal Ledger & Central Accounting	CONS	08.04.09		significant
Treasury Management	JS	03.02.09		significant
Insurance	CONS	08.04.09		significant
LEGAL SERVICES:				
Constitution & Review of Delegations	SO	03.06.09		limited
PERFORMANCE:				
Scrutiny	CONS	draft final		limited
STRATEGIC TRANSFORMATION:				
Accounts Payable (Creditors)	ES	11.06.09		significant
Accounts Receivable (Debtors)	JS	09.06.09		significant
Single Status	MA	*	*	*
Strategic Transformation	CONS	11.06.09		limited
Health & Safety	JS	01.06.09		significant
Training & Development	ES	21.05.09		significant
BUILT ENVIRONMENT:				
Asset / Office / Facilities Management	CONS	19.05.09		significant
PFI - Streetlighting	DW	02.06.09		full
Traffic Management	ES	draft		significant
Markets	SM	09.06.09		significant
Sponsorship	SO	30.04.09		limited
Business Continuity Process (emergency planning)	ZK	06.04.09		full
Car Parking	ZK	*	*	*
Bereavement Services	SM	03.06.09		significant
NEIGHBOURHOOD PARTNERSHIPS & PROGRAMMES:				
Local Neighbourhood Partnerships	SM	12.06.09		limited
Equalities - Review	CONS	11.06.09		significant
European funding (ESF, ERDF, Co-Financing etc.)	CONS	*	*	*
SAFER WALSALL:				
Safer Communities - CDRP	ES	20.05.09		significant
LEISURE CULTURE & LIFELONG LEARNING:				
Catering establishment	ES	29.05.09		limited
Sports & Leisure Development	ES	20.01.09		significant
Parks, Play areas & green spaces (incl green strategy)	ES	07.05.09		significant
Forest Arts Centre	ES	09.06.09		significant
EDUCATION CLIENT / SCHOOLS:				
Education Partnership	CONS	09.06.09		significant
SPECIALIST SERVICES:				

TASK	Auditor	Completed Date	Not Achievable	Overall Assurance Rating
Children & Young People's Plan 2007/10 incl JAR action plan	CONS	20.05.09		significant
College of Continuing Education	ZK	10.10.08		full
Parents in Partnership	SM	09.06.09		limited
Sure Start / Children's Centres:				
Lighthouse	JS	02.06.09		limited
Fibbersley	JS	01.06.09		significant
Childrens Fund	CONS	draft final		significant
COMMUNICATIONS:				
Marketing / Corporate Relations	CONS	08.06.09		significant
PROCUREMENT:				
Strategic Procurement	CONS	19.05.09		limited
Commissioning	CONS	draft		limited
ADULT SERVICES:				
Reprovision of Residential and Day Care Services	MA	*	*	*
HOUSING:				
Regional Housing Pot (inc Kickstart Programme)	JS	draft		limited
ALL:				
Performance Indicators	CONS	20.05.09		significant
Budgetary Control (incl MTFP, gershon / transformation)	CONS	09.06.09		significant
Capital Accounting	JS	07.07.08		full
Capital Programme	CONS	23.04.09		significant
CPA	DB	31.03.09		n/a
Inventories / Stock:				
Building Cleaning	ZK	28.11.08		significant
 New Art Gallery	ZK	*	*	*
Fleet / Fuel	ZK	22.05.09		full
Bloxwich Leisure Centre	ZK	draft		significant
Payroll	MA	04.06.09		significant
Partnership Frameworks	CONS	draft		limited
Recruitment & Selection	JS	11.06.09		significant
Sickness Management	ES	07.11.08		limited
Customer Experience & Engagement	KT	draft		significant
Service Planning	AA-VAC	*	*	*
Project Management	CONS	draft		significant
Risk Register - Review of Remainder 'Mop up'	KT	15.05.09		full
Grant Income	CONS	19.05.09		significant
Risk Management - Corporate System	CONS	08.04.09		significant
Individual Performance Management	ZK	06.04.09		significant
Customer Consultation	KT	draft		limited
Corporate Governance	CONS	draft		significant
Waste busting	PA-VAC	*	*	*
DELIVERY & DEVELOPMENT:				
Advice	CB	31.03.09		n/a
PLANNING & BUILDING CONTROL:				
Advice	CB	31.03.09		n/a
STRATEGIC REGENERATION:				
Advice	CB	31.03.09		n/a
WALSALL BOROUGH STRATEGIC PARTNERSHIP:				
Advice	RN	31.03.09		n/a
NEW DEAL:				
Advice	CB	31.03.09		n/a
FINANCE:				
Bank Account Reconciliations (consolid)	CONS	27.02.09		significant
Benefit Account Reconciliation	JS	27.02.09		significant
Subsidy Claim - Hsg & Ctax Benefits	PA-VAC	*	*	*
Audit Committee Reports / Attendance	Various	31.03.09		n/a
Advice	Various	31.03.09		n/a
LEGAL SERVICES:				
Advice	RN/CB	31.03.09		n/a
PERFORMANCE:				
Advice	RN	31.03.09		n/a
STRATEGIC TRANSFORMATION:				
Advice	RN/CB	31.03.09		n/a
BUILT ENVIRONMENT:				
Advice	CB/DW	31.03.09		n/a

TASK	Auditor	Completed Date	Not Achievable	Overall Assurance Rating
NEIGHBOURHOOD PARTNERSHIPS & PROGRAMMES:				
Advice	CB	31.03.09		n/a
SAFER WALSALL:				
Advice	CB	31.03.09		n/a
LEISURE CULTURE & LIFELONG LEARNING:				
Advice	CB/DW	31.03.09		n/a
EDUCATION CLIENT / SCHOOLS:				
Alumwell Infants	SM	06.03.09		compliant
Barcroft JMI	SM	24.04.09		compliant
Beacon JMI	SM	06.03.09		compliant
Bloxwich JMI	SM	26.03.09		compliant
Blue Coat Infants	KT	*	*	*
Blue Coat Junior	KT	*	*	*
Butts JMI	KT	24.02.09		compliant
Caldmore JMI	SM	28.04.09		compliant
Christ Church JMI	SM	*	*	*
Delves Infants	AA-VAC	*	*	*
Elmore Green JMI	SM	29.04.09		compliant
Fibbersley JMI	KT	30.03.09		compliant
Green Rock JMI	KT	30.03.09		compliant
Greenfield JMI	SM	21.01.09		compliant
Harden JMI	SM	*	*	*
Holy Trinity Infants	KT	11.03.09		compliant
King Charles JMI	KT	27.03.09		compliant
Kings Hill JMI	KT	25.03.09		compliant
Leamore JMI	SM	06.03.09		compliant
Lodge Farm JMI	SM	29.04.09		compliant
Manor JMI	SM	24.03.09		compliant
Meadow View JMI	SM	26.01.09		compliant
Millfield JMI	SM	28.04.09		compliant
Moorcroft Wood JMI	KT	17.03.09		compliant
Mossley JMI	SM	24.02.09		compliant
New Invention Infants	KT	10.03.09		compliant
North Walsall JMI	KT	17.11.08		compliant
Park Hall Infants	KT	06.03.09		compliant
Radleys JMI	SM	06.03.09		compliant
Rough Hay JMI	SM	16.03.09		non compliant
Salisbury JMI	SM	28.04.09		compliant
St Giles JMI	KT	16.03.09		compliant
St James JMI	SM	28.04.09		compliant
St Marys the Mount JMI	SM	29.04.09		compliant
St Patricks JMI	KT	20.03.09		compliant
Walsall Wood JMI	SM	28.04.09		compliant
Whitehall Infants	AA-VAC	*	*	*
Whitehall Junior	SM	29.04.09		compliant
Schools - Advice & Support	various	31.03.09		n/a
FMSIS General & Follow Up	various	31.03.09		n/a
Advice	CB/DW	31.03.09		n/a
ICT:				
Advice	PA-VAC	31.03.09		n/a
SPECIALIST SERVICES:				
Advice	various	31.03.09		n/a
UNIVERSAL SERVICES:				
Advice	CB	31.03.09		n/a
COMMUNICATIONS:				
Advice	RN	31.03.09		n/a
PROCUREMENT:				
Advice	CB	31.03.09		n/a
SOCIAL CARE & INCLUSION:				
Advice	various	31.03.09		n/a
CONTRACT AUDIT:				
Final Accounts:				
Croft Street Changing Rooms	SO	14.10.08		significant
Blakenall Village Improvements	SO	14.10.08		significant

TASK	Auditor	Completed Date	Not Achievable	Overall Assurance Rating
Greenfields Primary School	SO	14.10.08		limited
Pier Street, Brownhills	SO	11.05.09		full
Leighswood Children's Centre	SO	14.10.08		no assurance
Alterations to Moorcroft Wood JMI	SO	14.10.08		limited
Darlaston Sure Start (Ilmington House)	SO	14.10.08		limited
Busil Jones	SO	14.10.08		no assurance
New Invention Infants	SO	14.10.08		no assurance
Dangerfield Lane Nursery	SO	17.12.08		limited
New Invention Junior	SO	06.01.09		limited
Stroud Avenue Children's Centre	SO	17.12.08		no assurance
Streetly School - Sports Hall & Dance Studio	SO	29.12.08		limited
Surface Dressing - Schedule of Rates 2003-2005	SO	06.02.09		full
Micro Surfacing - Schedule of Rates	SO	06.02.09		full
Streetly Cemetery Extension	SO	30.04.09		full
Systems	SO	31.03.09		n/a
Advice	SO	31.03.09		n/a
COMPUTER AUDIT:				
IT Strategy & Governance	CONS	09.06.09		significant
Software Licensing	CONS	24.02.09		limited
Network Services & Strategy	CONS	18.12.08		significant
Back Up Strategy & Procedures	CONS	05.01.09		significant
Housing Benefit (SX3)	CONS	03.11.08		significant
Information Security (data in transit)	CONS	*	*	*

11.06.09

Appendix B

Audit opinions given to fundamental systems/processes in 2008/9

System/process	Opinion
Council tax / NNDR	Significant
Housing and council tax benefits	Significant
Income management	Significant
Nominal ledger / central accounting	Significant
Treasury management	Significant
Accounts payable (creditors)	Significant
Accounts receivable (debtors)	Significant
Payroll	Significant (borderline)
Budgetary control	Significant
Capital accounting	Full
Capital programme	Significant
Bank account reconciliations	Significant
Benefit account reconciliation	Significant

Computer Audit

Following a tender exercise HW Controls and Assurance, our previous contractor, was awarded the contract for the provision of internal audit services, specifically computer audit work but also including top up regularity work. The contract covers a 3 year period commencing 1 April 2008.

Five specific ICT areas of activity were undertaken in accordance with the planned work programme for 2008/9 and included reviews of:

- IT strategy and governance: The review sought to provide assurance on the governance arrangements in place to develop and implement an ICT strategy that is aligned to the overall business and corporate objectives. This included an examination of the management, operational and technical controls in operation to ensure well-run and effective IT governance. A significant assurance opinion was given for this review.
- Software licensing: The review sought to provide an opinion on the controls in place for the management of computer software installed on council owned IT equipment. The review covered strategy and policy, administrative roles and responsibilities and processes and procedures. An overall limited assurance opinion was given for this review and a number of areas for improvement agreed by senior managers.
- Network services and strategy: The review sought to assess the adequacy of controls governing network security and management arrangements. The network comprises primarily computer hardware and software in the form of cabling and network communications equipment, as well as the Microsoft

Windows network operating system software. A significant assurance opinion was given for this review.

- Back up strategy: The review sought is to provide assurance that the arrangements in respect of the computer data backup strategy and processes were in line with good practice and provide for robust governance and control. The backup strategy and processes are used to ensure relevant systems, applications and data that are critical to the Council's obligations for the provision of services are identified and that these facilities are effectively secured and are available for recovery whenever the need arises. A significant assurance opinion was given for this review.
- Housing benefit (SX3): The review sought is to provide assurance on the adequacy of IT application controls in place for the Sx3 system. The Sx3 application is supplied and supported by the third party company Northgate and was implemented by the Council in 2005. The application is administered internally by a service team of five officers and is used by revenues and benefits section officers to process income and commitment. A significant assurance opinion was given for this review.

A number of suggested actions were made in each of the areas examined to which internal audit has received managers' agreement to the action plan contents detailed within each of the final reports.

Schools audit visits (FMSiS reviews)

Joint Financial Management Standard in Schools (FMSiS) assessment and Internal Audit review visits were carried out in 32 Primary schools during the year. In addition a reassessment was undertaken at 1 special school and follow up visits were made to 2 primary schools deemed not compliant in 2007/08. 2 other primary schools from the 2007/08 tranche provided the necessary information required to be deemed compliant.

All schools are required to comply with the financial management standard in schools (FMSiS) by March 2010. All secondary schools were deemed compliant by March 2008. Primary, Special and Nursery Schools were split into 3 tranches to be assessed during 2007/08, 2008/09 and 2009/10.

Of the 32 primary schools assessed during 2008/09, 31 were deemed compliant with the Financial Management Standard and 1 requires additional evidence to be provided.

In the case of the school that is currently not meeting the standard, the section 151 officer will be required to make a declaration in the section 52 outturn statement that appropriate steps are being taken to rectify this and ensure that the school will meet the standard over the ensuing twelve months.

Appendix C

Summary of limited / no assurance audit reports 2008/9

Service Area	Audit	Assurance	Progress
Delivery & Development	Environmental Management	Limited	Draft
	Strategic Regeneration – Delivery and Development	Limited	Draft
Legal Services	Constitution & review of delegations	Limited	7 agreed actions
	Scrutiny	Limited	Draft
Strategic Transformation	Strategic transformation	Limited	9 agreed actions
Built Environment	Corporate Sponsorship	Limited	10 agreed actions
Neighbourhood P'ships & Programmes	Local Neighbourhood Partnerships	Limited	33 agreed actions
Leisure Culture & Life L'ning	Catering establishments	Limited	56 agreed actions
Specialist Services	Parents in Partnership	Limited	48 agreed actions
	Lighthouse Children's Centre	Limited	24 agreed actions
Procurement	Strategic Procurement	Limited	20 agreed actions
	Commissioning	Limited	Draft
Housing	Regional housing Pot	Limited	Draft
All	Partnership framework	Limited	Draft
	Sickness management	Limited	25 agreed actions
	Customer consultation	Limited	Draft
Education Client / Schools	Rough Hay Primary FMSiS	Non compliant	21 agreed actions
Contract	Greenfield Primary School	Limited	9 agreed actions
	Leighswood Children's Centre	No	20 agreed actions
	Alterations to Moorcroft Wood JMI	Limited	13 agreed actions
	Darlaston Sure Start (Illmington House)	Limited	11 agreed actions
	Busill Jones	No	22 agreed actions
	New Invention Infants	No	20 agreed actions
	Dangerfield Lane Nursery	Limited	11 agreed actions
	New Invention Junior	Limited	12 agreed actions
	Stroud Avenue Children's Centre	No	17 agreed actions
	Streetly School – Sports Hall and Dance Studio	Limited	5 agreed actions
Computer	Software Licensing	Limited	7 agreed actions

- **Environmental management:**

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.

Good practice noted included:

- the compilation and subsequent approval of the climate change strategy by cabinet; and
- the establishment of an environmental champions group to develop and embed greater awareness within and behalf of the council in relation to the environmental impacts of council policies.

Areas for improvement identified:

- that the council has no corporate steer on environmental management which has resulted in the ISO 14001 standard not being adopted or developed; and
- the awareness and knowledge of council officers in relation to the recently released draft environmental policy is variable.

- **Strategic Regeneration Framework (SRF) – Delivery and Development**

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.

Good practice was noted:

- in the development of an innovative model for the approach to regeneration;
- the development of project reference groups to act as a conduit for public consultation; and
- engagement and framework plans being developed for each of the regeneration areas

Areas for improvement included:

- benchmarking underpinning the SRF;
- public engagement in relation to the SRF; and
- associated work, programme/project management, governance structures, funding arrangements and the equalities, diversity and human rights agendas.

- **Constitution and Review of Delegations**

This audit review involved an examination of the recording and reporting of actions taken by officers under delegated authority.

Good practice included:

- Four of the council's five directorates maintain some form of register of decisions taken.
- One directorate produced a register in the form prescribed in Appendix 2, and three others produced a similar format.
- During the last fifteen months, all directorates have produced at least one report to corporate management team where officers set aside the council's financial and contract rules in order to deal with an urgent situation.

Areas for improvement included:

- All directorates need to maintain a register of decisions taken by officers under delegated authority;
- There is no uniform treatment of officers decisions resulting in each directorate providing a different format;
- There is no evidence of reports being made to portfolio holders or to scrutiny and performance panels;
- Directorates have not informed the head of committee services of the identity of the officer responsible for maintaining the register.

- **Scrutiny**

The Local Government act 2000 places a duty on local authorities to put into place an effective scrutiny function as part of its wider decision making and accountability arrangements. Walsall Council has a well established scrutiny function which in turn is supported by its performance & scrutiny team. Currently the scrutiny function comprises five service based “panels” and an unconstituted scrutiny working group.

Good practice included:

- a clearly defined scrutiny structure, comprising formally constituted and politically proportionate scrutiny panels which in turn are underpinned by formal terms of reference;
- regular scrutiny panel meetings;
- a well regarded member support team;
- intervention by scrutiny into corporate processes such as budget setting;
- the establishment of a member development steering group to oversee member training; and
- the use of the Cabinet forward plan to inform scrutiny work programmes.

Those areas suggested for improvement included;

- establishment of a formally constituted overarching scrutiny body with responsibility for scrutinising corporate issues such as overall council progress against headline targets;
- review and reinforcement of the working relationship between portfolio and scrutiny members;
- introducing formal protocols to ensure that reactive issues arising during the year are conveyed to scrutiny members in a timely manner; and
- ensuring that consultation mechanisms with members of the public are strengthened so that scrutiny work is informed by service user views.

- **Strategic Transformation**

The Strategic Transformation Team (“STT”) is a small group of practitioners in business improvement and lean-thinking system approaches to developing efficiencies and savings within the council. The STT has been developing three work programmes; the customer experience programme, the adaptive working programme and the people and change programme. Significant work has only occurred in delivering the customer experience programme with plans developing for the other two areas.

Good practice included:

- Staff vision and attitudes to business improvement are developing through the people and change programme;
- Knowledge transfer about business improvement ethos and techniques is developing via secondments and appointments to the STT;
- The STT feels it is becoming an effective resource in developing the organization's approach to business development;
- Staff development and their awareness and understanding of business improvement techniques with NVQ accredited training;
- Effective internal relationships have been developed between the team and service areas.
- The team is developing a track record of supporting service areas to deliver efficiencies and savings, e.g. catering services, revenues and benefits; and
- Clarity about priorities is emerging with good governance structures in place with executive directors heading projects.

Areas for development included:

- organisational development issues that present themselves as barriers to more effective working; for example, council culture, tendency to work in silos, weak linkage between strategies and plans, awareness and understanding of the role of the STT and making savings and efficiencies, and understanding and awareness of business improvement methodologies.

- **Corporate Sponsorship**

This audit covered the council's arrangements under which the council seeks and receives sponsorship income for events and projects and deals with sponsoring organizations.

Good practice included:

- Corporate management team and departmental managers are aware of the need for a corporate policy and have a development plan to cover this;
- Consultants have been appointed to identify the potential for sponsorship of specific Walsall Council events;
- All sponsorship arranged through Leisure, Culture & Lifelong Learning is approved by the Assistant Director;
- Leisure, Culture & Lifelong Learning has written agreements for both cash based sponsorship deals and also for arrangements under which sponsorship is provided in kind;

Areas for improvement included:

- Staff vision and attitudes to business improvement are developing through the people and change programme;.
- There is no corporate arrangement to govern the authority under which officers seek sponsorship;
- Written agreement is not required for each sponsorship arrangement; and
- There is no corporate arrangement under which scrutiny panels examine sponsorship arrangements.

- **Local Neighbourhood Partnerships (LNPs)**

LNPs give Walsall residents and local groups the opportunity to be involved in decisions and improvement of services provided by the council and its partners in their local area. There are nine LNPs in the borough run through the Walsall Partnership.

Good practices included:

- the establishment of LNP aims & objectives;
- election and appointment of new members; and
- use of a variety of methods to publicise and promote LNP work.

Areas for improvement included those in relation to budget monitoring, performance management and member induction training.

- **Catering Establishment**

The catering service provides catering to 84 primary schools, 8 secondary schools, the town hall restaurant and engineers' canteen. It also provides vending machines and catering, including buffets and refreshments, to the council.

Good practice included:

- the implementation of a new procurement process;
- the completion of health and safety action plans; and
- a rolling training programme for all kitchen staff for manual handling and heavy equipment.

Areas for improvement included:

- the tightening of controls regarding stocks and procurement;
- the receipt, banking and monitoring of income; and
- petty cash.

- **Parents in Partnership**

Walsall Parent Partnership Service is a statutory service provided for parents and carers of children between the ages of 2 – 19 years, who have, or may have a special educational need, empowering parents and carers to play an active and informed role in their child's education.

Good practice included:

- team action planning;
- embedded use of IPM;
- creation of local procedure notes;
- varied promotion methods; and
- a framework for joint working with Education Walsall.

Areas for improvement included:

- the development of service performance indicators;
- benchmarking and use of PP data base information;
- implementation of annual reporting to meet national professional standards;
- review of critical and non-critical activities in light of high service demand;

- consideration of key operational risks as part of the corporate risk management framework;
- further action planning on equalities and health & safety issues; and
- improvements in budget monitoring procedures.

- **Lighthouse Children's Centre**

Sure Start Children's Centres bring together childcare, early education, health and family support services for families with children under 5 years old.

Good practice at the Lighthouse Children's Centre included:

- maintenance of the inventory, petty cash imprest and performance monitoring.

Areas for improvement included:

- the need to establish a children's sub-committee;
- the need for financial policies specific to the children's centre to be established;
- cross referencing of income received to income banked; and
- reconciliation of the co-operative bank account.

- **Strategic Procurement**

The council has a centralised procurement team who support and advise the service areas on securing best value for money contracts. The council spent in excess of £204million on procured services for the financial year 2007/08.

Good practice included:

- a procurement strategy that provides clear objectives for the procurement process and incorporates key elements of the national procurement strategy. The existence, adherence to and development of this strategy is pivotal to the future efficiencies relating to procurement activities.

Areas for improvement included:

- further evidence being required to document that key procurement controls are being applied particularly those relating to monitoring of contract performance, contract risk assessment and adherence to the procurement plan;
- there is a need to have written procedures in place to govern the work of the procurement team.

- **Commissioning**

Commissioning is the entire cycle of assessing the needs of people in a local area, designing services, and then securing them. This audit reviewed the arrangements for establishing and monitoring a range of care contracts in the social care & inclusion and children's services directorates.

Good practice included:

- A developing approach to client-side monitoring and the use of lay inspectors;
- A developing approach to joint commissioning and plans to introduce joint commissioning units;

- A developing approach to putting business continuity arrangements in place; and
- Some cross-cutting approaches to commissioning and procurement

Areas for improvement included:

- review of the current structure of how commissioning and procurement are delivered to ensure that there is a corporate overview and coordination of the work
- recording of services contracted and commissioned
- monitoring and reporting of contract expenditure
- review of all services to test that the contracts and agreements with providers are as outcome focused as possible with demonstrable improvement for users

- **Regional Housing Pot**

A review of the regional housing pot included examination of regeneration, health through warmth scheme, Willenhall Lane travellers site, repair assistance (Black Country housing group care and repair and Birchills group repair scheme) and the kick start programme. The council was allocated regional housing pot grant of £3.328m by Government Office for the West Midlands for 2008/9. West Midlands Regional Assembly has allocated £971k to the council for the kick start programme for 2008/9.

Good practice included:

- an up to date housing renewal assistance policy available on the council's website; and
- the existence of an affordable warmth strategy for 2007-2010 setting out the council's commitment to provide affordable warmth.

Areas for improvement included:

- ensuring that the affordable warmth strategy has been subject to relevant approvals;
- that office procedures in respect of certain elements of the housing pot have been documented and issued to relevant staff; and
- that controls regarding grant expenditure are significantly tightened, particularly regarding the selection of contractors and maintenance of audit trail.

- **Partnership Frameworks**

The partnership framework was evolved during the 2008/09 financial year and the partnership toolkit took effect from 1st January 2009. The managing and development of partnerships is currently being devolved to service areas.

Good practices included:

- the quality and completeness of the partnership protocol toolkit document;
- development of a partnership register; and
- the use of a specialist steering group set up solely to adapt and innovate the council's current partnership framework and nurture the partnership protocol and toolkit.

Areas for improvement included:

- enhancing controls and processes to strengthen the current partnership framework in relation to promotion of the partnership protocol and toolkit;
- implementation of a partnership framework action plan;
- collective use of partnership risk and performance measures;
- encouragement of information and best practice sharing across partnerships;
- integrating community networks into the partnership framework; and
- coherent partnership grant funding administration.

- **Sickness Management**

This audit reviewed the council's sickness management procedures including compliance with corporate procedures on short and long term sickness, staff awareness and training and the recording and reporting of sickness statistics.

Good practice noted within HRD included:

- the management of sickness absence policy which is accessible to all staff on the intranet;
- the monitoring and reporting of sickness absences to directorate boards and CMT; and
- the introduction of the sickness absence portal on HRD direct to enable managers to record and monitor sickness absence online.

Areas for improvement included those in relation to:

- both short and long term sickness absences, for example, in obtaining doctor's notes from employees where necessary;
- evidence of completion of return to work interviews and issuing of notice of concerns;
- within HRD, regarding the accuracy of information on TRENT; and
- filing of sickness management related documentation.

- **Customer Consultation**

Customers are defined as residents, businesses, elected Members, strategic partners, internal customers and visitors to the borough. The council's vision in this area is "Putting the customer at the heart of what we do".

Good practice included:

- use of a pre-consultation proforma to capture data on a consistent basis;
- the budget book shows the links between customer consultation and council pledges; and
- the corporate consultation group (CCG) meets on a regular basis to discuss consultation and related issues.

Areas for improvement included:

- use of a pre-consultation proforma to capture data on a consistent basis;
- improved awareness and use of the council's consultation database (Viewfinder); and
- improved reporting to directorate performance boards on consultation and engagement activity.

- **Education Client / Schools**

See summary of school FMSiS work at Appendix B. One primary school failed to achieve the standard during the year but has since been successful during 2009/10 following completion of the required actions.

- **Contract Audit**

A total of 16 final accounts were examined during the year with 10 receiving a limited or no assurance opinion. Reasons for the exceptions are detailed within the main body of the report.

- **Computer Audit**

Five IT projects were completed by our private sector contractor with one, software licensing, receiving a limited assurance opinion. This is detailed within the main body of the and also referred to within Appendix B.