



**ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR ON THE OVERALL ADEQUACIES OF THE INTERNAL CONTROL ENVIRONMENT**

**Ward(s)** Corporate focus

**Summary of report:**

Based solely on work undertaken by internal audit and its partner organisation in 2005/6, 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 recommendations detailed within report action plans.

**Recommendation:**

- 1. To note the contents of the report.

**Signed** .....

**Executive Director:** Carole Evans

**Date:** 20 June 2006

**Resource and legal considerations:**

The Accounts & Audit Regulations 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 2003, 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.

**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 stakeholders on the security of the council's activities and operations.

**Environment impact:**

None arising directly from this report.

**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 2005/6 have been received by the Audit Committee and a final report for the year will be considered at the meeting on 4 September 2006.

**Equality Implications:**

None arising from this report

**Consultation:**

The executive director's (corporate services) signature on this report demonstrates that it has been endorsed by the Council's statutory chief finance officer.

**Background papers:** Internal audit reports/files/working papers.

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## 1 **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).

## 2 **Internal Control Environment**

The CIPFA Code of Practice states that the internal control environment comprises the organisation's policies, procedures and operations in place to:

- establish and monitor the achievement of the organisation's objectives;
- identify, assess and manage the risks to achieving the organisation's objectives;
- facilitate policy and decision making;
- ensure the economic, effective and efficient use of resources;
- ensure compliance with established policies, procedures, laws and regulations;
- safeguard assets and interest from losses of all kinds;
- ensure integrity and reliability of management information.

## 3 **Chief Internal Auditor's Opinion on the Council's Internal Control Environment**

### 3.1 **Summary of Opinion**

In my opinion, formed solely on the basis of the work undertaken by internal audit and its partner organisation in 2005/6, and the positive action taken by managers to implement agreed recommendations, Walsall Council's overall system of internal control facilitates the effective exercise 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 2005/6 financial year and were reported as such to the relevant managers. My opinion as to the level of assurance that can be placed on the system of internal control is based on evidence provided to auditors by managers confirming that they had implemented or agreed to implement agreed recommendations detailed within report action plans within 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 2005/6.

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

The external auditors' 'Annual Audit and Inspection Letter' received in January 2006, states that they continue to be satisfied with the standard and range of internal audit work which meets the expected professional standards and provides the S151 officer and the council with the assurance needed. As a result they continue to be able to place reliance on our work and reduce their own audit procedures.

#### 4 **Basis of Audit Opinion**

- 4.1 The council's financial procedure rules require maintenance of an internal audit service to provide an independent, objective appraisal function to review 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.
- 4.2 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.
- 4.3 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 (executive director for corporate services) approves the strategic audit plan which is also endorsed by EMT and the Audit Committee.
- 4.4 There were no constraints placed on the scope of audit work in the year, although a higher than anticipated level of unplanned work resulted in some regularity work being allocated to our private sector partner. Resources were available to meet this demand and our private sector partner followed internal audit's approach in undertaking their audit work. The work of the internal audit service is in turn scrutinised each year by the Audit Commission.
- 4.5 For each area of planned audit activity an overall audit opinion is reported with the range of opinions being as follows:

<b>Overall Audit Opinion</b>	
Good	Controls are in place and operating satisfactorily. Reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively.
Adequate	There are some control weaknesses but most key controls are in place and operating effectively. Some assurance can be given that the system, process or activity should achieve its objectives safely and effectively.
Poor	Controls are in place but operating poorly or controls are inadequate. Only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively.
Unsatisfactory	Controls are failing or not present. No assurance can be given that the system, process or activity will achieve its objectives safely and effectively.

- 4.6 **Appendix A** details the overall audit rating for each review undertaken during 2005/6 and **Appendix B** details, amongst others, the audit opinion on all key systems/processes audited during the year.

## 5 The Internal Control Environment

5.1 During 2005/6, 138 specific audit reviews were undertaken excluding unplanned irregularity and consultancy work. Most, 109 (79%), received an audit opinion of good or adequate. However, 29 reviews received an opinion rating of poor (19%) or unsatisfactory (2%). Whilst in most cases the council's key financial systems are operating satisfactorily, there are certain systems where controls were considered to be in need of improvement. The most significant of these included the benefits and payroll and employment support systems, as follows:

- The review of benefits noted that while some good practices were noted during the audit, for example in training and guidance notes issued to benefits officers; a number of areas required improvement. These included benefit file maintenance, particularly in locating files; claim processing including the timeliness in which new claims are processed; the number of benefit overpayments arising due to information held on file not being input promptly to the benefits system Sx3; improvements in the reconciliation of benefits systems and the existence of Sx3 processing errors. The prompt implementation of the recommendations contained within the report has been assured by managers.
- The review of the payroll and employment support services noted that although some progress had been made in actioning previous audit recommendations, particularly in relation to reminding managers of their procedural responsibilities with regard to payroll, audit testing in 2005/06 continued to reveal weaknesses within segregation of duties and lack of evidence of authorisation and senior / independent review leading to a number of exceptions being noted in the sample of establishment, starters, leavers, variations to pay and absence management / reporting tested. Again, the prompt implementation of the recommendations contained within the report has been assured by managers.

5.2 During 2005/6 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 in most audit assignments the processes examined were generally working satisfactorily. System weaknesses were, however, identified in some services including benefit claim processing, meals on wheels, establishment visits and contracts' award and monitoring and these are detailed on **Appendix C**. A number of high priority recommendations were made during the year to address control weaknesses and almost all were accepted for implementation by managers.

5.3 An area of particular concern arises from the review of several revenue contracts. Those selected for examination were from Social Care and Inclusion (voluntary sector and commissioning (care) contracts) and from other directorates for supplies and services (computer equipment, temporary staff and communication - IT). The reviews were wide ranging and covered procurement arrangements, tender process and contract award/conduct/monitoring/reporting and resulted in a poor overall rating with 98 recommendations in total. Recommendation action plans, with relevant timescales, have been agreed with managers. Officer training on the recently approved financial and contract rules is about to commence where the requirement to comply with the rules, without exception, will be made clear to senior managers and all other officers having contract responsibilities.

5.4 **Appendix C** lists the 29 audit reviews where a poor or unsatisfactory opinion was given (excluding unplanned irregularity and consultancy work). The summary shows the status of each review as at 31 March 2006 and gives an indication of the positive actions confirmed as having been taken by managers to implement agreed recommendations or to agree the action plan recommendations and timescales. It also identifies that most reviews have made good progress with recommendations being implemented within agreed timescales. Some recommendations have had to be rescheduled and some were always planned for implementation in a longer timescale.

## 6 **Advice and Consultancy**

Professional advice and consultancy assistance was requested and provided to managers during the year. Details of this work are reported quarterly to the Audit Committee.

## 7 **Fraud and Irregularity**

7.1 A total of 112 suspected frauds and irregularities were reported to the service, of which 3 were through the whistleblowing procedure. A contingency exists within the annual audit plan for this type of work, including consultancy, but a higher level than anticipated was experienced during the year; an additional 125 days. However, the service was still able to deliver its annual audit plan target of 95%. 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 Statement of Internal Control, a small number demonstrated an existence of control weaknesses as follows:

### **Failure to bank income:**

An employee failed to bank meals' income received from Streets Corner Day Centre clients and 2 meals on wheels van drivers (agency personnel) also failed to bank takings. Although monies had been collected, £15k in takings was not banked. Problems were identified including a failure to monitor receipt of authorised bank paying in slips, takings to bank statements and budgeted income. The police have taken action based on internal audit findings. The employees' employments/engagements have ceased and most of the money will be recovered. As a result of the inquiry, a series of recommendations were agreed and these were confirmed as implemented by relevant senior managers. Good practice notes were also issued to all cash receiving establishments.

### **Neighbourhood Renewal Fund (NRF):**

Internal Audit undertook a series of reviews (between July 2004 and autumn 2005) of the procedures in place for the management and administration of the NRF. Control weaknesses identified were wide ranging and included governance, duplicate payments, lack of evidence of project monitoring and adherence to NRF grant conditions.

The issues identified were largely in relation to 2003/4 and 2004/5 and resulted in 3 reports being issued with a series of recommendations. The NRF Administrative Costs Report made 6 recommendations all of which have been confirmed by managers as fully implemented. NRF Approvals and Spend Report made 18 recommendations, 17 of which have been confirmed as fully implemented. The 1 remaining recommendation is being addressed by the formal adoption of a revised constitution for the Walsall Borough Strategic Partnership (WBSP), presented to the Executive Committee on 26 May 2006 and due to be presented to the Annual General Meeting of the WBSP Board on 26 June 2006. For the third and final NRF report, only 3 pieces of work remain outstanding; a file review, a review of commissioning (due to be completed in the summer) and the implementation of the revised constitution as above.

### **Asset management contracts**

A review of use of the corporate standing list of building contractors was undertaken during May to June 2005 and 9 recommendations were made to address concerns in the procurement process. Further audit work on requisitioning, ordering and payments was undertaken in October 2005 when an additional 19 recommendations were made. The second review also contained 11 common recommendations previously reported during the routine examination of contractors' final accounts.

Based on the audit work undertaken, required improvements were identified in order to ensure compliance with financial and contract procedure rules (e.g. acting under urgency, seeking quotations, documenting proper authorisations of requisitions and orders), use and monitoring of the corporate standing list, filing of documentation, managing variations to contracts, procurement of agency staff, architect's instructions, contract time extensions and the need to procure large scale call-off contracts.

Although management issued new staff procedures to help address some of the weaknesses, it was not possible to make required strategic decisions during negotiations for a strategic partner and concerns remain over the probity of systems employed. However, a management action plan has now been adopted for the unit as part of the Strategic Transformation project which incorporates actions aimed to address all audit findings.

## **8 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.

## **9 Performance of the Internal Audit Service**

The overall performance of internal audit in 2005/6 will be reported to the Audit Committee on 4 September 2006 and will demonstrate a high level of performance indicator achievement for the year including a 96% approved audit plan achievement.

The report will also show that 73% of agreed recommendations were confirmed as implemented at audit's next visit; the same as last year. This level of implementation is slightly disappointing in view of the robust audit recommendation

follow-up arrangements now in place to improve management's performance in this area. Some of the shortfall is due to undertaking visits to establishments which were last reviewed prior to our new follow up arrangements being in place, some are due to managers having to concentrate their efforts into the strategic partnership work rather than audit recommendations and some resulted from managers being overly optimistic in their achievement targets.

During my recent visits to directorate management teams to discuss the audit work programme for 2006/7, executive directors and senior managers expressed concern at this level of implementation and asked that they be informed as a matter of urgency should problems be identified within their directorates. This action and managers' awareness of the Audit Committee concerns in this area should assist in improving future performance.

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**DAVID BLACKER, CPFA**  
**CHIEF INTERNAL AUDITOR 22.06.06**



Audit Task	Auditor	Completed Date	Not Achievable	Overall Rating
<b>COUNCIL STRATEGIC:</b>				
Committee Attendance	Various	31.03.06		N/A
FPR's & CPR's	SO	31.03.06		N/A
Corporate Governance	DB	31.03.06		N/A
Equalities - Internal Audit	RN/VAC	31.03.06		N/A
RIPA (DB)	DB	31.03.06		N/A
Putting the Citizen First	RN/CB	31.03.06		N/A
National Fraud Initiative	MA	31.03.06		N/A
Service Plan (IA)	CB	31.03.06		N/A
IPM (IA)	Various	31.03.06		N/A
<b>UNPLANNED/FR6:</b>	Various	31.03.06		N/A
<b>MAJOR SYSTEMS:</b>				
<i>FINANCE:</i>				
Council Tax	CONS	13.02.06		Adequate
Benefits System	CONS	Draft		Poor
Benefits Compliance with Performance Std	CONS	x	x	x
Grant Expenditure	SC	Draft		Adequate
NNDR	CONS	13.02.06		Adequate
Nominal Ledger & Central Accounting	CONS	30.03.06		Good
Treasury Management	CONS	13.06.06		Good
Accountable Body Status	CONS	Draft		Adequate
<i>URBAN REGENERATION:</i>				
Physical Regeneration	MW	21.03.06		Adequate
<i>SOCIAL CARE &amp; SUPPORTED HOUSING:</i>				
Bank Accounts	NP	Draft		Adequate
Learning Disabilities Pooled Budget	MA	Draft		Good
Home Care Service	CONS	x	x	x
Independent Sector - Residential	CONS	3.05.06		Adequate
Independent Sector - Day Care	NP	8.05.06		Adequate
Meals on Wheels	SC	23.05.06		Unsatisfactory
Agency Workers	NP	8.05.06		Adequate
Elderly - Day Care/Residential:				
St James Resource Centre	SW/SC	16.01.06		Adequate
Streets Corner Day Centre	SW/SC	16.01.06		Unsatisfactory
Sanstone Resource Centre	SW/SC	16.01.06		Adequate
Baytree Resource Centre	SW/SC	11.01.06		Adequate
Castleview Resource Centre	SW/SC	03.02.06		Poor
The Limes	SW/SC	29.11.05		Adequate
Physical Dis & Sensory Impairment-In Hse:				
Hollybank House	SC	21.12.05		Adequate
Pinfold	SC	22.12.05		Adequate
Sensory Support Team	SC	10.01.06		Adequate
Learning Disabilities Day Care:				
Northgate	CONS	4.05.06		Adequate
Brewer Street	CONS	4.05.06		Adequate
Mental Hlth Resid & Day Care-In House:				
Broadway North	SW	14.02.06		Adequate
Learning Disabilities Residential:				
Narrow Lane	SM/MA	Draft		Poor
Fallings Heath	SM/MA	Draft		Adequate
Looked After Childrens Team	SW	24.04.06		Adequate
Transition & Leaving Care	SC	29.11.05		Adequate
Integrated Care Team (ICT)	JS	x	✓	No longer exists
ICES Pooled Budget	SC	Draft		Adequate
Mental Health Team	JS	01.02.06		Poor
Physical & Sensory Impairment Team	SM	Covered by SC during Physical Dis & Sensory Impairment		
Voluntary Sector Payments	CONS	Draft		4 Poor 1 Adequate
Commissioning	CONS	3 Final 1 Draft		3 Poor 1 Good

Audit Task	Auditor	Completed Date	Not Achievable	Overall Rating
<b>PERFORMANCE MANAGEMENT:</b>				
Scrutiny	CONS	x	x	x
<b>COMMUNITY REGENERATION &amp; HOUSING:</b>				
Safer Communities - CDRP	CONS	29.03.06		Adequate
Neighbourhood Renewal Fund	MA	Time used while carrying out special investigations		
ESF/ERDF	DW	x	x	x
New Deal - Programme Management	CONS	23.02.06		Adequate
New Deal - Community Development	NP	31.03.06		Good
Housing Strategy	CONS	*	*	Replaced with Imp Grts
Improvement Grants	CONS	21.04.06		Good
Housing Standards	CONS	x	x	x
Local Neighbourhood Partnerships	SM	Draft		Adequate
<b>RESOURCES (LIFELONG LEARNING &amp; COMM)</b>				
Partnership - Contract Monitoring	CONS	22.05.06		Adequate
Sure Start	MW	x	x	x
<b>PERSONNEL &amp; EMPLOYEE RELATIONS:</b>				
Single Status	JS	x	x	x
<b>INFORMATION SYSTEMS SERVICES:</b>				
Contact Centre & First Stop Shop	CONS	28.04.06		Adequate
<b>ORGANISATION DEVELOPMENT:</b>				
Training	CONS	4.05.06		Good
<b>SPORT &amp; OPERATIONAL SERVICES:</b>				
Leisure Centres	MW/SW	29.11.05		Poor
<b>ALL:</b>				
Creditors	SC	Draft		Adequate
Payroll	MW	Draft		Poor
Debtors	JS	Draft		Adequate
Budgetary Control	SC	Draft		Adequate
External Grant Funding (Incoming)	MA	Included within Grant Expenditure audit		
Capital Accounting/Capital Programme	CONS	31.03.06/28.04.06		Good/Adequate
Grants to Voluntary Organisations	SM	26.09.05		Adequate
Inventories/Stock	CONS	22.03.06		3 adeq/1 poor/1 Unsat
Petty Cash	CONS	14.03.06		4 adeq/1 good
<b>REGULARITY:</b>				
<b>BUILT ENVIRONMENT:</b>				
Highways Management	NP	x	x	x
PFI Street Lighting	DW	27.04.06		Good
Advice	CB/DW	31.03.06		N/A
<b>COMMUNITY REGENERATION &amp; HOUSING</b>				
Advice	RN/DW	31.03.06		N/A
<b>URBAN REGENERATION:</b>				
Advice	CB/DW	31.03.06		N/A
<b>PARTNERSHIPS:</b>				
Advice	RN/DW	31.03.06		N/A
<b>FINANCE:</b>				
Committee Reports/Attendance	DB/MA	31.03.06		N/A
Bank Account Reconciliations	NP	11.05.06		Adequate
Banking Corporate Account Liaison	RN/SC	31.03.06		N/A
Advice	Various	31.03.06		N/A
<b>Housing/Council Tax Benefits:</b>				
Examine Claims	JS	Final draft		Poor
<b>LEGAL SERVICES:</b>				
Advice	RN	31.03.06		N/A
<b>PERFORMANCE MANAGEMENT:</b>				
Advice	CB	31.03.06		N/A
<b>CORPORATE SUPPORT:</b>				
Advice	VAC	31.03.06		N/A
<b>INFORMATION SYSTEMS SERVICES:</b>				
Advice	CB	31.03.06		N/A

Audit Task	Auditor	Completed Date	Not Achievable	Overall Rating
<i>MEMBERS &amp; DEMOCRATIC SERVICES:</i>				
Advice	RN/VAC	31.03.06		N/A
<i>PERSONNEL &amp; EMPLOYEE RELATIONS:</i>				
Advice	RN	31.03.06		N/A
<i>SCHOOLS:</i>				
St Thomas More PFI - Payments	DW	23.05.06		Adequate
LMS - Advice & Support	Various	31.03.06		N/A
<b>Secondary Schools:</b>				
Aldridge Science College	MW	✓		Adequate
Alumwell Business & Enterprise College	SC	20.07.05		Good
Barr Beacon Language College	JS	06.02.06		Good
Blue Coat CE Performing Arts College	MW	10.06.05		Poor
Brownhills Community Technology College	JS	07.03.06		Adequate
Darlaston Community Science College	MW	13.05.05		Adequate
Shire Oak Science College	MW	03.05.05		Adequate
Sneyd Community	SC	15.03.06		Adequate
Streetly Specialist Sports College	SC	21.07.05		Adequate
Willenhall School Sports College	SW	8.05.06		Adequate
<b>Primary Schools:</b>				
Albion Road Junior	SW	x	x	x
Brownhills West JMI	SM	31.03.06		Adequate
Cooper & Jordan Infants	SW	08.12.05		Adequate
County Bridge JMI	SW	20.07.05		Good
Delves Infants	SM	06.07.05		Poor
Greenfield JMI	JS	29.06.05		Adequate
Harden JMI	SM	30.11.05		Adequate
Holy Trinity Infants	SM	04.11.05		Adequate
Lakeside JMI	SW	02.06.05		Adequate
Lindens JMI	SW	05.01.06		Adequate
Manor JMI	SM	30.06.05		Poor
Meadow View JMI	SM	26.09.05		Adequate
Millfield JMI	SW	25.01.06		Adequate
Old Church JMI	SM	29.03.06		Adequate
Palfrey Junior	SW	23.03.06		Adequate
Park Hall Infants	SW	08.07.05		Good
Park Hall Junior	SW	11.11.05		Good
Pelsall Village Junior	MW	7.06.06		Poor
Radleys JMI	SW	20.07.05		Adequate
Ryders Hayes JMI	SW	16.05.05		Good
Salisbury JMI	SM	13.03.06		Adequate
St Annes JMI	SW	20.07.05		Adequate
St Marys of the Angels JMI	SM	*	*	*
St Michaels JMI	SM	13.03.06		Adequate
St Patricks JMI	SW	03.02.06		Adequate
St Peters JMI	SW	02.06.05		Good
St Thomas of Canterbury	SM	31.03.06		Adequate
Whitehall Junior	SM	26.07.05		Adequate
Woodlands JMI	SW	20.07.05		Good
<b>Nursery Schools:</b>				
Lane Head	SW	20.07.05		Good
Fullbrook	SM	30.06.05		Good
<b>Special Schools</b>				
Daw End	SW	08.12.05		Good
Old Hall	SM	13.03.06		Adequate
School Audit Follow Up	DW	31.03.06		N/A
<i>YOUTH &amp; COMMUNITY:</i>				
Youth Service	MW/SW	Draft		2 Poor 2 Adeq 2 Good
Advice	CB	31.03.06		N/A
<i>RESOURCES (LIFELONG LEARNING):</i>				
Partnership - Accountable Body Status	CONS	22.05.06		Adequate
Advice	CB	31.03.06		N/A
<i>ARTS EVENTS &amp; TOURISM:</i>				
New Art Gallery	MW	04.11.05		Poor
Music Support	SW	Draft		Adequate

Audit Task	Auditor	Completed Date	Not Achievable	Overall Rating
Advice <i>LIBRARIES HERITAGE:</i>	CB/DW	31.03.06		N/A
Advice <i>COLLEGE OF CONTINUING EDUCATION:</i>	CB	31.03.06		N/A
Advice <i>PARKS &amp; OUTDOOR AMENITIES:</i>	DW	31.03.06		N/A
Advice <i>SPORT &amp; OPERATIONAL SERVICES</i>	CB/DW	31.03.06		N/A
Advice <i>SOCIAL CARE &amp; SUPPORTED HOUSING:</i>	RN/CB	31.03.06		N/A
Advice <b>CONTRACT AUDIT:</b>	RN/MA	31.03.06		N/A
Final Accounts	SO	31.03.06		N/A
Systems Based	SO	31.03.06		N/A
Advice	SO	31.03.06		N/A
Dell	CONS	3.05.06		Poor
Real IT	CONS	28.04.06		Poor
BT Global Services	CONS	28.04.06		Poor
Chrystal Consulting	CONS	Final draft		Poor
Terberg	CONS	28.04.06		Adequate
Walsall Voluntary Action	CONS	8.05.06		Good
<b>COMPUTER AUDIT:</b>				
<i>Information Systems Services:</i>				
Business Continuity	CONS	25.07.05		Adequate
Virus Controls	CONS	12.05.06		Adequate
<i>Finance:</i>				
Bacstel IP	CONS	10.11.05		Adequate
Housing Benefits	CONS	}		}
Council Tax	CONS	}	18.05.06	} Adequate
NNDR	CONS	}		}
Payroll	CONS	18.05.06		Adequate
<i>Built Environment:</i>				
Mayrise	CONS	21.07.05		Adequate

**Audit opinions given to fundamental systems/processes in 2005/6**

<b>System/process</b>	<b>Opinion</b>
Benefits system	Poor
Council tax	Adequate
NNDR	Adequate
Nom ledger / central accounting	Good
Budgetary control	Adequate
Payments - creditors	Adequate
Capital accounting	Good
Capital programme	Adequate
Payroll / employment support	Poor
Treasury management	Good
Income – debtors	Adequate
Bank account reconciliations	Adequate

**Computer Audit**

- 1 A partnership arrangement was entered into during 2003/4 with a private sector firm, Haines Watts to undertake specifically computer audit work over a 30 month period ending 31 03 06. There is provision within the contract to extend the contract for 2 years and this provision has been invoked.
- 2 Key IT audit activities undertaken and in accordance with the planned work during 2005/6 included reviews of:
  - Business continuity, seeking to identify arrangements for continuity of IT processing and for disaster recovery, and to assess how these link into the council's business continuity plans; (overall opinion – adequate)
  - Virus controls, seeking to identify the current procedures and controls in relation to virus prevention and to assess the effectiveness of the arrangements in place; (overall opinion – adequate)
  - Bacstel IP, seeking to evaluate the procedures in place for the processing of direct payments and to examine controls over the use of the BACS Payment Services web channel; (overall opinion – adequate)
  - Housing Benefits, Council Tax and NNDR seeking to identify and assess the procedures and controls in relation to the security and integrity of the respective applications; (overall opinion – adequate)
  - Payroll, seeking to identify and assess procedures and controls in relation to the security and integrity of the application. The review examined the IT and technical controls only, an assessment of the day to day operational controls being undertaken within the systems-based audit review; (overall opinion – adequate)

- Mayrise, seeking to identify and assess the procedures and controls in relation to the security and integrity of the application; (overall opinion – adequate)
- 3 A number of recommendations were made in each of the areas examined and internal audit has received confirmation from managers that recommendations have been actioned or will be actioned by agreed deadlines.

### **Schools audit**

Audit reviews of 27 primary schools, 10 secondary schools, 2 special schools and 2 nurseries were undertaken during 2005/6. Based on the audit conclusions from this work, my overall opinion is that the control environment within the council's schools is of an adequate standard. Recommendations have been made and were accepted by management during the year which should help to ensure that improvements take place where needed.

<b>Service Area</b>	<b>Audit</b>	<b>Rating</b>	<b>Progress</b>
Finance	Benefits System	Poor	8 recs agreed in action plan
	Examination of Benefit Claims	Poor	28 recs agreed in action plan
Social Care & Inclusion	Meals on Wheels	Unsatisfactory	52 recs - 50 recs agreed in action plan
	Streets Corner Day Centre	Unsatisfactory	25 recs - follow up issued 24/4/06 - 4 not yet implemented
	Castleview Resource Centre	Poor	39 recs - follow up issued 24/4/06 - no response received
	Narrow Lane	Poor	48 recs agreed in action plan. Majority confirmed as implemented by managers
	Mental Health Team	Poor	27 recs - follow up issued 3/5/06 - no response received
	Voluntary Sector Contracts:		
	Aftercare Services (CAHAL)	Poor	4 recs agreed in action plan
	Apna Ghar	Poor	5 recs agreed in action plan
	NCH Ltd (Resource Centre)	Poor	4 recs agreed in action plan
	Age Concern (Day Care)	Poor	3 recs agreed in action plan
	Commissioning Contracts:		
	Southern Cross Healthcare	Poor	7 recs agreed in action plan
	Lonsdale (Midlands) Ltd	Poor	4 recs agreed in action plan
	Lifeways Community Care	Poor	4 recs agreed in action plan
	Inventories/Stock - Occupational Therapy	Unsatisfactory	5 recs agreed in action plan
Sport & Operational Services	Leisure Centres	Poor	49 recs agreed in action plan
All	Payroll	Poor	99 recs agreed in action plan. Restructure - responsibilities being clarified
Environmental Regeneration	Inventories and Stores	Poor	7 recs - follow up issued 18/5/06 - response received 6 not yet implemented
Schools	Blue Coat CE Performing Arts College	Poor	28 recs - follow up issued 23/9/05 - no response received
	Delves Infants	Poor	23 recs - follow up issued 26/9/05 - response received 3 not yet implemented
	Manor JMI	Poor	37 recs - follow up issued 26/9/05 - no response
	Pelsall Village Junior	Poor	17 recs agreed in action plan
Youth & Community	Pelsall Youth Centre	Poor	18 recs agreed in action plan
	Willenhall Drop in Centre	Poor	9 recs agreed in action plan
Arts Events & Tourism	New Art Gallery	Poor	28 recs - follow up issued 6/2/06 - response received 2 not yet implemented
Contracts	Dell	Poor	16 recs agreed in action plan
	Real IT	Poor	14 recs agreed in action plan
	BT Global Services	Poor	18 recs agreed in action plan
	Chrystal Consulting	Poor	14 recs agreed in action plan