Audit Committee – 14 November 2011

Internal Audit Progress Report as at 30 September 2011

Summary of report

This report summarises internal audit's 6 monthly progress as at 30 September 2011.

Recommendation

1. **To note and endorse the contents of this report.**

[signature]

 Rebecca Neill – Head of Internal Audit

 31 October 2011

Resource and legal considerations

The cost of providing internal audit is fully charged to services based on audit activity.

The Accounts & Audit Regulations 2003, as amended in 2011, require councils to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.

Governance issues

The Audit Committee's activities include ensuring that an effective internal control environment is maintained and regular and ongoing scrutiny of internal audit work undertaken. This report supports the Audit Committee in exercising that role.

Citizen impact

Internal audit work is intended to ensure that effective systems of internal control are in place. This protects the council and its officers and provides an assurance to stakeholders and citizens regarding the security of the council's operations.

Performance and risk management issues

Part of internal audit's role is to provide assurance on the council's performance and risk management arrangements. Internal audit's programme of work is risk assessed to ensure areas most at risk are examined as a priority.

Equality implications

Internal audit has full regard to equalities both within the internal audit service and in the services / activities under review.

Consultation

The annual work plan 2011/12 was consulted upon before its final endorsement by executive directors; senior managers; the council's S151 officer and Audit Committee.

Background papers

Internal audit reports/ monitoring information.

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Internal Audit Progress Report as at 30 September 2011

1. Introduction

1.1 The purpose of this report is to update the Audit Committee with progress made against the delivery of the 2011/12 internal audit plan.

1.2 The information included in this progress report will inform internal audit's overall opinion at the year end. Where appropriate, each audit report issued is given an overall audit opinion based on the following criteria:

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.

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

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

2. Internal Audit's Performance Measures

2.1 For the 6 month period ending 30 September 2011, internal audit's performance against performance measures is as follows:

	% Target Measure	% Actual
Audits completed by auditor within planned time	95	95
Report issued within 10 working days of exit meeting	80	99
Audit report actions agreed	95	99
Relationships / Customer Satisfaction	95	100
Productivity rate	90	90
Sickness – average working days lost per employee (internal audit) against target	7.0	0.32
VFM savings achieved / irregularity costs identified / recovered	£650,000	£315,272

2.2   Internal audit is currently on target to outturn within budget.

2.3   The internal audit work plan is subject to constant review and refresh throughout the year as the risk profile of the council changes. Amendments are discussed and agreed with senior managers to ensure that audit resources continue to focus on significant risk areas. At present, the work plan remains relevant, but due to vacant audit posts which are currently subject to a recruitment exercise, the following lower risk audits have been deferred to 2012/13 as follows:

Directorate:	Low Risk Audit:
Initial Response Service	Children
Safeguarding - Family Support	Children
Building Services	Regeneration
Homelessness	Regeneration
Private Sector Renovation Grant	Regeneration
Regional Housing Pot	Regeneration
Benefits - Board and Lodge	Resources
Training & Development	Resources

2.4   For information, a new audit reporting brand has been introduced effective for all work commencing 1 October 2011. The new format focuses on assurance, incorporates the latest systems thinking techniques and introduces 'root cause analysis' to overall conclusions.

3.   Summary of Work Completed

3.1   A summary of planned work completed during the period is detailed at Appendix 1. Of the 73 planned audits finalised during the period, 64 (88%) received significant or full assurance. Audits receiving a no and limited assurance report are detailed within a separate report on the agenda this evening.

3.2   A summary of unplanned work is detailed in a separate report in private session this evening.

3.3 Organisational health measures following internal audit's work for the 6 month period are detailed below:

	Measure
Percentage of full assurance reports issued of all issued audit reports	1.4%
Percentage of significant assurance reports issued of all issued audit reports	86.3%
Percentage of limited assurance reports issued of all issued audit reports	12.3%
Percentage of no assurance reports issued of all issued audit reports	0%
Proportion of unplanned irregularity / planned audit time	33/67

4. **Key Themes Arising**

4.1 From the 73 planned and 7 unplanned audit reports finalised during the period, the following key themes have been identified. Action plans are in place to address these themes and this summary will be issued to all Executive Directors for them to disseminate to their managers.

Theme	Description
Audit Trail	Ensuring that a complete audit trail (e.g. 'the paperwork') is in place and secure, to support the internal controls operating within the system under review.
Documented Procedures	Ensuring that systems have been procedurally documented or that procedures in place are not out dated, but subject to regular review / refresh.
Procurement	Ensuring that controls regarding contracts and payments, demonstrate value for money and sufficient probity. Some improvement is required in purchasing processes including raising of orders prior to receipt of goods/works/services and the prompt payment of invoices.
Performance Management	Ensuring compliance with corporate performance management systems e.g. attendance management, performance measurement, benchmarking, joint working and employee performance assessment. Also ensuring that service aims and objectives are being delivering via robust service planning.
Income	Ensuring that income is fully and promptly received and accounted for.
Budget Management	Ensuring that finances are properly managed through strong budget management and financial planning.
Segregation of duties	Ensuring that decisions / transactions involve more than one officer, to mitigate against fraud and corruption.
Physical assets	Ensuring that assets, including building, equipment and stocks / stores are secure.

Summary of Planned Work Completed as at 30 September 2011

Auditable Area	Directorate	Level of Assurance	Actions		
			High	Medium	Low
Grants	All	Limited	26	18	3
Sickness Management	All	Significant*	9	10	0
Payroll	All	Significant*	35	18	7
Service Planning	All	Significant	3	1	1
Risk Management	All	Significant	9	7	2
Budgetary Control	All	Significant	4	8	1
Risk Register – Review of Remainder	All	Full	0	0	0
Integrated Young Persons Support Service	Children's	Limited	15	24	5
Jane Lane	Children's	Significant*	10	15	2
Improving Information Sharing & Management (ISAM) / Common Assessment Framework (CAF)	Children's	Significant	11	3	0
Safeguarding (Children)	Children's	Significant	5	14	0
Child Poverty Reduction	Children's	Significant	2	2	0
St Thomas More Private Finance Intiative (PFI)	Children's	Significant	1	3	0
Alumwell Junior	Children's	Significant	6	15	5
Birchills Junior Mixed Infants (JMI)	Children's	Significant	3	5	1
Blackwood Junior Mixed Infants (JMI)	Children's	Significant	1	11	0
Hatherton Junior Mixed Infants (JMI)	Children's	Significant	5	10	2
Lower Farm Junior Mixed Infants (JMI)	Children's	Significant	3	4	0
New Invention Junior	Children's	Significant	3	4	0
Park Hall Junior	Children's	Significant	2	5	1
Rushall Junior Mixed Infants (JMI)	Children's	Significant	6	9	1
Palfrey Infants	Children's	Significant	2	9	2
Ryders Hayes Junior Mixed Infants (JMI)	Children's	Significant	7	3	0

Auditable Area	Directorate	Level of Assurance	Actions		
			High	Medium	Low
St Johns Junior Mixed Infants (JMI)	Children's	Significant	1	0	2
St Michaels Junior Mixed Infants (JMI)	Children's	Significant	6	7	1
Woodlands Junior Mixed Infants (JMI)	Children's	Significant	5	3	1
Oakwood	Children's	Significant	2	5	0
Old Hall	Children's	Significant	7	3	2
Safer Communities – Anti Social Behaviour	Neighbourhood	Limited	18	9	3
Walsall Adult & Community College	Neighbourhood	Limited	24	17	2
M3PP (Northgate) (computer audit)	Neighbourhood	Limited	3	2	1
Libraries Service	Neighbourhood	Significant*	18	7	2
Car Parking Enforcement	Neighbourhood	Significant	4	2	2
Licensing	Neighbourhood	Significant	7	10	0
Contact Centre / First Stop Shop	Neighbourhood	Significant	8	15	2
Highways Maintenance	Neighbourhood	Significant	8	3	0
Car Parking Income	Neighbourhood	Significant	2	2	2
Registrars	Neighbourhood	Segnificant	16	3	0
Local Involvement Networks (LINKS)	Neighbourhood	Significant	5	5	0
Working Neighbourhood Fund	Neighbourhood	Significant	6	1	0
Leather Centre	Neighbourhood	Significant	2	11	5
Mobile Library	Neighbourhood	Significant	2	8	4
Walsall Museum	Neighbourhood	Significant	9	9	4
Galaxy (computer audit)	Neighbourhood	Significant	0	4	1
Environmental Management	Regeneration	Limited	4	1	0
Building Cleaning	Regeneration	Significant*	16	5	1
New Deal – Programme End	Regeneration	Significant*	10	0	0
Disabled Facilities Grant	Regeneration	Significant	2	4	1
Sustainable Urban Development	Regeneration	Significant	4	1	1
Operational Services (Personnel)	Resources	Significant*	16	8	0
Council Tax / NNDR	Resources	Significant	1	9	1
Housing & Council Tax Benefit	Resources	Significant	8	4	4

Auditable Area	Directorate	Level of Assurance	Actions		
			High	Medium	Low
Nominal Ledger & Central Accounting	Resources	Significant	6	8	1
Cash / Bank	Resources	Significant	8	11	1
Debt Recovery	Resources	Significant	2	2	1
ICT Establishment	Resources	Significant	3	1	0
Benefit – Appeals / Complaints	Resources	Significant	10	5	1
Capital Accounting	Resources	Significant	1	6	1
Treasury Management	Resources	Significant	6	9	3
Accounts Payable (Creditors)	Resources	Significant	16	21	3
Accounts Receivable (Debtors)	Resources	Significant	11	21	5
Business Solutions	Resources	Significant	1	2	1
Procurement	Resources	Significant	7	3	0
Cash Receipting (computer audit)	Resources	Significant	1	4	3
Supporting People (computer audit)	Resources	Significant	0	1	0
Bacstel (computer audit)	Resources	Significant	0	1	0
ICT Service Management (computer audit)	Resources	Significant	0	5	3
Oracle Financials	Resources	Significant	2	6	2
Pinfold Day Centre	Social Care & Inclusion	Limited	16	8	1
Learning Disabilities – Satellite Offices	Social Care & Inclusion	Limited	16	13	1
Community Mental Health Integrated Team	Social Care & Inclusion	Limited	19	14	2
Neighbourhood Community Officers	Social Care & Inclusion	Significant	3	9	1
Hospital Services	Social Care & Inclusion	Significant	9	3	1

* 'borderline significant'