

Audit Committee – 12 June 2012

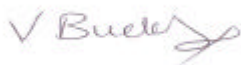
Internal Audit Progress Report for the Year Ending 31 March 2012

Summary of report

This report summarises internal audit's progress for the year ending 31 March 2012.

Recommendation

Audit Committee are requested to note and endorse the contents of this report.



Vicky Buckley - Head of Finance

30 May 2012

Resource and legal considerations

The Accounts and Audit Regulations 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 31 March 2012

1. Introduction

- 1.1 The purpose of this report is to update the Audit Committee on internal audit's progress for the year ending 31 March 2012.

2. Internal Audit's Performance Measures

- 2.1 For the year ending 31 March 2012, 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	87
Sickness – average working days lost per employee (internal audit) against target	7.0	7.89
VFM savings achieved / irregularity costs identified / recovered	£650,000	£315,272

- 2.2 Internal audit's expenditure was within its approved budget for the year.
- 2.3 There has been some slippage against productivity rate and sickness targets, both being due to an auditor's unforeseen long term sickness. Without this, the productivity rate would be at 91% and average working days lost per employee (sickness) would be 0.84 i.e. within target. The service has made progress against its new measure, 'VFM savings achieved / irregularity costs identified / recovered' and will aim to improve on this in the 2012/13 financial year.

3. Summary of Work Completed

- 3.1 Internal audit's work comprises of planned and unplanned assurance, which is summarised in the following table.

Planned Assurance	An assurance service which provides an independent and objective opinion to the organisation of the control environment, by evaluating its effectiveness in achieving the organisations objectives. The service objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. This is achieved via internal audit's risk assessed audit plan.
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Unplanned Assurance	<p>Prevention, detection and investigation of fraud and corruption; and other irregularity.</p> <p>Advisory and consultancy related services which are carried out to improve services and to add value, including the impact of proposed policy initiatives, programmes and projects as well as emerging risks.</p>
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3.2 A detailed summary of internal audit's unplanned assurance work is detailed in a separate report in private session this evening. A summary of planned work completed during the period is detailed at **Appendix 1**. This table summarises the area audited (auditable area), directorate, assurance opinion and the number of findings by rating per report. The assurance opinion is 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.

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.

- 3.3 Of the 109 planned audits finalised during the period, 90 (82.6%) received significant or full assurance. The organisational health measures following internal audit's work for the year are detailed below:

<u>Organisational Health Measures</u>	Measure
Percentage of full assurance reports issued of all issued audit reports	0.9%
Percentage of significant assurance reports issued of all issued audit reports	82.6%
Percentage of limited assurance reports issued of all issued audit reports	16.5%
Percentage of no assurance reports issued of all issued audit reports	0%
Proportion of planned / unplanned assurance audit time	65/35

- 3.4 Audit reports that receive a no or limited assurance opinion are routinely brought to Audit Committee. Audit Committee members are invited to select any of the no and limited assurance audit reports brought before them for detailed scrutiny, where the relevant executive director and appropriate managers must attend to answer members' queries and provide them with necessary assurances that action is being taken to address concerns identified.

4. Key Themes Arising

- 4.1 The following key themes have been identified from the planned and unplanned work finalised during the period. Action plans are in place to address these themes within the individual audit reports 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. In the absence of audit trail, there is an inability to defend the system followed / decisions taken in the event of query / challenge.
Documented Procedures	Ensuring that systems have been procedurally documented or that procedures in place are not out dated, but subject to regular review / refresh and approval. In the absence of up to date procedural documentation, there is a risk that in the unexpected absence of key / experienced officers, other officers may not be aware of duties and responsibilities in relation to specific tasks, which may ultimately not be undertaken / or undertaken to the appropriate standard.
Procurement	Ensuring that controls regarding contracts and payments demonstrate value for money and sufficient transparency and probity. Some improvement is required in purchasing processes including officer compliance with contract rules and the day to

Theme	Description
	day administration of procurement activities, such as the raising of orders prior to receipt of goods/works/services; ensuring appropriate segregation of duties between ordering and receipt of goods/works/services and payment; and the prompt payment of invoices. In the absence of robust controls in these areas, the organisation can be at risk in the event of query / challenge.
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 delivered via robust service planning. In the absence of compliance with corporate performance management systems, officers / services may be unable to demonstrate that a robust approach has been taken. Without overall performance arrangements in place, services are unable to determine that they are effectively delivering against objectives at the appropriate standard. Further, poor performance may go unnoticed and therefore unaddressed.
Income	Ensuring that income is fully and promptly received and accounted for. In the absence of this, the risk of fraud and error is increased.
Budget Management	Ensuring that finances are properly managed through strong budget management and financial planning. In the absence of this, there is the risk that budget under / over spends may occur, unaddressed.
Segregation of duties	Ensuring that decisions / transactions involve more than one officer, to mitigate against the risks of fraud and corruption.
Physical assets	Ensuring that assets, including building, equipment and stocks / stores are secure. In the absence of this, the risk of asset theft / loss is increased.

Summary of Planned Work Completed as at 31 March 2012

Auditable Area	Directorate	Level of Assurance	Findings		
			High	Medium	Low
Grants	All	Limited	26	18	3
Partnership Frameworks	All	Limited	12	8	0
Sickness Management	All	Significant*	9	10	0
Payroll	All	Significant*	35	18	7
Capital Programme / Project Management	All	Significant*	4	10	1
Service Planning	All	Significant	3	1	1
Risk Management	All	Significant	9	7	2
Budgetary Control	All	Significant	4	8	1
Voluntary Sector Engagement	All	Significant	4	3	0
Risk Register – Review of Remainder	All	Full	0	0	0
Integrated Young Persons Support Service	Children's	Limited	15	24	5
Commissioning (Children's Services)	Children's	Limited	11	3	3
Children Fund (Exit Arrangements)	Children's	Limited	4	2	0
Sure Start / Children's Centres	Children's	Limited	11	8	1
Rough Hay Junior Mixed Infants JMI	Children's	Limited	15	9	1
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
Redruth Road	Children's	Significant	9	18	1
St Thomas More Private Finance Initiative (PFI)	Children's	Significant	1	3	0
Alumwell Infants	Children's	Significant	2	5	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

Auditable Area	Directorate	Level of Assurance	Findings		
			High	Medium	Low
Bloxwich Junior Mixed Infants JMI	Children's	Significant	8	11	2
Butts Junior Mixed Infants JMI	Children's	Significant	11	9	1
Caldmore Junior Mixed Infants JMI	Children's	Significant	10	8	1
Green Rock Junior Mixed Infants JMI	Children's	Significant	11	11	1
Hatherton Junior Mixed Infants (JMI)	Children's	Significant	5	10	2
Lodge Farm Junior Mixed Infants JMI	Children's	Significant	6	5	3
Lower Farm Junior Mixed Infants (JMI)	Children's	Significant	3	4	0
Meadow View Junior Mixed Infants JMI	Children's	Significant	11	5	0
New Invention Junior	Children's	Significant	3	4	0
Park Hall Junior	Children's	Significant	2	5	1
Pinfold Street Junior Mixed Infants JMI	Children's	Significant	6	17	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
St Johns Junior Mixed Infants (JMI)	Children's	Significant	1	0	2
St Michaels Junior Mixed Infants (JMI)	Children's	Significant	6	7	1
Whitehall Junior	Children's	Significant	10	9	2
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
Coroner	Neighbourhood	Limited	18	5	1
Skip Permit Income	Neighbourhood	Limited	9	8	0
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

Auditable Area	Directorate	Level of Assurance	Findings		
			High	Medium	Low
Highways Maintenance	Neighbourhood	Significant	8	3	0
Car Parking Income	Neighbourhood	Significant	2	2	2
Registrars	Neighbourhood	Significant	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
Waste Management Establishment	Neighbourhood	Significant	6	14	1
Community Development Team	Neighbourhood	Significant	9	12	1
Countryside Management	Neighbourhood	Significant	13	14	0
PFI Streetlighting	Neighbourhood	Significant	5	6	1
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
Design Procurement Team	Regeneration	Significant	7	13	3
Electoral Registration	Resources	Limited	12	8	3
Operational Services (Personnel)	Resources	Significant*	16	8	0
Pay & Grading (inc Single Status)	Resources	Significant*	15	4	1
Council Tax / NNDR	Resources	Significant	1	9	1
Housing & Council Tax Benefit	Resources	Significant	8	4	4
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

Auditable Area	Directorate	Level of Assurance	Findings		
			High	Medium	Low
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
Complaints / Customer Care	Resources	Significant	8	6	1
Benefits – Fraud & Investigation Team	Resources	Significant	7	8	1
Leasing	Resources	Significant	5	7	0
Pensions	Resources	Significant	8	8	2
Print & Design Unit	Resources	Significant	6	8	6
Scrutiny	Resources	Significant	2	6	2
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
Charging Policies & Application (Fairer Charging & Extra Care)	Social Care & Inclusion	Limited	11	3	1
Commissioning	Social Care & Inclusion	Significant*	4	5	0
Walsall Health Inequalities Strategy	Social Care & Inclusion	Significant	1	0	0
Personalisation	Social Care & Inclusion	Significant	4	1	0
Neighbourhood Community Officers	Social Care & Inclusion	Significant	3	9	1
Hospital Services	Social Care & Inclusion	Significant	9	3	1

* 'borderline significant'