

Audit Summary Report

January 2007



# **Audit Progress Report**

**Walsall Metropolitan Borough Council**

**Audit 2005/2006**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

### **Copies of this report**

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## Introduction

- 1 The report sets out the various aspects of the external audit. These are summarised in the Appendix.
- 2 There is one separate report on the agenda relating to Data Quality. This shows the results of our detailed testing of a sample of Performance Indicators which are used as part of the Audit Commission's annual CPA score.
- 3 Since our last progress report we have
  - completed the audit work to enable us to give an unqualified opinion on the accounts and a positive vfm conclusion. These were reported to the Audit Committee on 29th September 2006;
  - completed our work on our assessment of the council's Use of Resources which resulted in an overall score of 3. This is the same overall score as 2004/05 but is much stronger and shows the council has either consolidated its position or made improvements in a number of areas. In our view this is a creditable performance as the criteria used in the assessment are more stringent than those previously applied. With the agreement of your Executive Director the Audit Commission is making available to all its auditors your Medium Term Financial Strategy process as an example of best practice for others to follow. We also gave your risk management process the highest possible rating of 4; and
  - completed most of our audit work on claims for specific grants. There were fewer grants submitted late for audit, the overall standard of preparation shows a further improvement and there were fewer qualifications than in previous years. Benefits and Sure Start remain problematical. The Benefits issues are not unexpected as many of the actions management introduced were towards the end of the 2005/06 financial year and were there not in sufficient time to address the issues management had identified and which we raised in last year's report. We will produce a detailed report on Benefits early in 2007.

## Appendix 1 – Summary of external audit work

Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
1 Planning		September 2005	Completed	Presented to and agreed at September Audit committee.
2 Financial Governance	Feb 2006	June 2006	<b>Report has been finalised and an agreed action plan put in place.</b>	<p>We took account of Internal Audit work. This identified a number of areas where internal controls need improvement. Many of the financial systems are rated as adequate or good but there have been significant problems identified by IA</p> <ul style="list-style-type: none"> <li>• Benefits and Revenues</li> <li>• Application of financial and contract procedure rules</li> <li>• Payroll.</li> </ul> <p>As these are major financial systems and processes it is important for the council to ensure that prompt remedial action is taken. All these issues have been clearly identified in section 5 of the Statement of Internal Control.</p> <p>In addition we have undertaken an overall review of the IT control environment and we concluded that overall there were no major areas of concern.</p>

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Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
3 Final Accounts	July 2006	September 2006	We gave an unqualified opinion on the Statements of Accounts and an unqualified vfm conclusion on 29th September.	<p>We reported our overall conclusions to the Audit Committee on 29th September in our Annual Governance Report.</p> <p>A more detailed report has been discussed with officers to serve as a vehicle to enable further improvement in the accounts preparation process.</p>
4 Detailed review of Internal Audit.	February 2006	June 2006	We have reviewed the organisational and structural processes within the section and we have completed our detailed review of the quality of the work.	<p>We are satisfied that the team is structured resourced and managed to provide an effective service.</p> <p>We continue to be satisfied that the work is of sufficient quality for us to place significant reliance on it, thus reducing the need in many areas for extensive external audit work.</p>
5 Putting the Citizen First Project		February 2006	We prepared a report on the wind up of the project which was presented to the Audit Committee in February 2006.	No further work was carried out on this project and in agreement with C Evans we reduced the planned audit fee by £30,000.
6 Preparations for Children's Act Implementation	February 2006	May 2006	A presentation style report was discussed at the September Audit Committee.	The results of this work were presented to the Children and Young People Executive Group.

Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
7 Strategic Housing Services		May 2006	A report was discussed at the September Audit Committee.	
8 Sure Start		August 2006	A follow up report was discussed at the September audit Committee.	
9 Data Quality	March 2006	July 2006	A report was presented to the September Audit Committee	This year the Audit Commission asked auditors to carry out an assessment of each council's arrangements to ensure the effectiveness of its processes to produce data. The council agreed to work with us on a pilot of the Audit Commission audit guide.
10 Public Interest Disclosure		July 2006	Neil Bellamy presented his report to a special meeting of the Audit Committee.	
11 Public Interest Disclosure		June 2006	Domiciliary Care contracts. Was reported to the September Audit Committee.	

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Audit programme	Planned start date	Planned Completion date	Progress to date	Comments
12 BVPI	July 2006	September 2006	September 2006	<p>This year the Audit Commission has asked us to focus our work on a relatively small number of indicators which feed into the council's CPA scoring. We gave an unqualified opinion on the council's Best value Performance Plan. There is a separate report on the agenda detailing the results of this work.</p>
13 Use of resources	July 2006	September 2006	December 2006	<p>The Council was informed of its overall score of 3 in early December 2006. A report is in preparation detailing ways in which the council can seek to further enhance this score.</p>
14 Audit of grant claims		December 2006	Ongoing	<p>We have completed most of our audit work on claims for specific grants. There were fewer grants submitted late for audit, the overall standard of preparation shows a further improvement and there were fewer qualifications than in previous years. Benefits and Sure Start remain problematical. The Benefits issues are not unexpected as many of the actions management introduced were towards the end of the 2005/06 financial year and were there not in sufficient time to address the issues management had identified and which we raised in last year's report. We will produce a detailed report on Benefits early in 2007.</p>

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