

Audit Committee – 23 June 2008

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 partner organisation in 2007/8, 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 report action plans.

Recommendation

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



James Walsh

Assistant Director - Finance (CFO)

13 June 2008

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 organisation'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 organisation and the reporting of financial management; and
- the performance management of the organisation 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 2007/8 have been received by 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 organisation in 2007/8, and the positive action taken or confirmed as having been taken by managers to implement agreed 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 2007/8 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 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 2007/8.

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

The Audit Commission's 'Annual Audit and Inspection Letter' for 2006/7 states, among others, that:

- '.. During the year the council undertook a review of the effectiveness of internal audit using a mix of self assessment and a formal review by two assistant directors. We also carried out our triennial review of the internal audit function.
- The reviews concluded that the internal audit function was sound and confirmed that we were able to place reliance on those elements of their work that are directly relevant to our Code of Audit Practice responsibilities. One of the main outputs from internal audit's own self assessment, as part of the review of the effectiveness of system of internal audit, was their production of an enhanced Internal Audit Charter.'

The Audit Commission review of internal audit as referred to above and to be considered as part of the committee's agenda this evening, concluded, among others, that:

- The internal audit service met the current CIPFA standards;
- A revised charter was approved by Audit Committee on 25 June 2007 and incorporates many of the expected standards ...;
- The internal audit section is staffed with appropriately experienced and qualified officers and work is of a good standard;
- Internal audit work that is directly relevant to the Audit Commission's responsibilities can be relied upon.

Some areas for improvement were identified and these have been/are being addressed.

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 (305 days) but arising from an inability to recruit to the 1.5 fte auditor positions, it became possible for auditors who would normally deal with fraud or irregularity referrals to be able to undertake most of the vacant 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 opinions being given. These changed with effect from 1 April 2007 from good, adequate, poor and unsatisfactory, to a level of assurance rating described as follows:

Overall Audit Opinion	
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.

Appendix A details the overall audit rating for each review undertaken during 2007/8 and **Appendix B** details, among others, the audit opinion on all fundamental systems/processes audited during the year.

The Internal Control Environment

During 2007/8, 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, 92 (77%), received a full or significant audit opinion, 27 reviews received an opinion rating of limited (22%) or no assurance (1%). The council's fundamental financial systems are operating satisfactorily all receiving either full or significant assurance opinions.

With regard to the 'payroll' review, this received a borderline significant opinion.

- Although activity in relation to the processing of starters, leavers and variations to pay attracted a limited assurance opinion, the significant progress in actioning previously reported recommendations, together with the implementation of a number of areas of good practice, enabled internal audit to provide an overall borderline significant audit opinion. This is an improvement on the previous year's audit opinion of 'poor'.
- The good practice noted, included the launch of HRD Direct, the new corporate employee and manager portal; the establishment of a safer recruitment panel; a new joint delegation process; improvements in systems for verification of the establishment structure, including the availability of structure information via HRD Direct and 'structure surgeries'; improvements in segregation of duties via the establishment of individual teams such as the transactional recruitment team and the transactional team; and sample second checking of transactions. It is anticipated that the full benefit of these improvements will be shown during 2008/09.

During 2007/8 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 some services including local area agreements, coroner service, mental health and learning disability teams, primary school reviews (FMSiS), contractors final accounts/contract systems work and computer reviews. These specific audit reviews are 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.

Areas where control weaknesses were identified are summarised as follows:

- **Local Area agreements:**
For the first time in June 2007, the chief internal auditor was required to provide an opinion on whether the LAA statement of grant usage, in all material respects, fairly presented eligible expenditure for the period 1 April 2006 to 31 March 2007. Although, internal audit's review of the LAA enabled a reasonable assurance opinion on the LAA statement of grant usage, testing identified items which required adjustment and these were notified to the head of finance, regeneration and neighbourhood services.

In undertaking the work necessary to form the opinion on the LAA statement of grant usage and on reviewing the control environment for LAA, NRF and PPG, while some areas of good practice were noted, including the approval by the WBSP of a revised constitution and accountable body memorandum of roles and responsibilities and approach to target action planning, areas of control weakness were identified in relation to general governance arrangements, target action planning, approvals, grant agreements, claims, payments, performance monitoring, finance monitoring, accounting procedures and ensuring complete compliance with the relevant grant determinations. An overall limited assurance opinion was therefore given.

- **Coroner Service:**

Although a number of good practices were noted during the audit, including; Walsall's lead in the drafting of a Black Country District Service Level Agreement for Coroner's Services in order to introduce greater transparency into the level of support provided by the engaged local authorities; the existence of a service agreement for the Walsall Hospitals NHS Trust provision of mortuary facilities to Walsall Council; accurate and up to date budgetary reports and the timely completion of the annual CIPFA year end return, a number of areas for improvement were also identified.

These included the need for all engaged local authorities to review for completeness and accuracy the Black Country District Service Level Agreement for Coroner's Services with a view to finalisation and agreement; procedure notes detailing officers' responsibilities in respect of the administration of the Coroner's Service were required; and a need to tighten controls regarding expenditure processing, including reviewing arrangements for compliance with the Council's financial and contract rules was necessary. As such, an overall limited assurance opinion was therefore given.

- **ICES Pooled Budget**

Although many individual areas of activity in relation to the ICES pooled budget provided full or significant assurance and good practices were noted during the audit, especially in relation to overall management arrangements and corporate governance, the number of findings and risks associated with the partnership agreement, in particular the need to review the agreement which was due to cease on 31 March 2008, ensuring that it encompassed all actions agreed within this audit and the previous audit from August 2006, meant an overall limited assurance opinion was given.

- **Establishment visits:**

In visiting a number of children's, adult's, mental health, learning disability teams and residential establishments, control weaknesses were identified particularly in relation to general procedures, contributions to board and lodge payments, client savings / pocket money, cash held, receipt books and other income, procurement, budgetary control, staff records, security (including computer security), inventory and performance management.

- **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 12 final accounts were examined during the year. Six of these reviews were given a limited or no assurance rating and were considered to have been poorly managed. Suggestions for improvement were agreed by managers. There have been four major reasons for criticism of systems used to control major contracts:

Failure to seek appropriate authority: In a number of instances, officers have failed to obtain their executive director's or the cabinet's authority to seek or to accept a tenders. This is due in some part to an erroneous belief that the council's rules did not apply where works are undertaken for schools or funded by external grants.

Failure to make contracts: This is consequent upon officers' failure to obtain appropriate approval prior to seeking tenders or formally accepting the tender to be accepted. The council's contracts administrator is unable to forward contract documents to the assistant director for legal and constitution services for execution under the council's seal where managers have not obtained appropriate authority.

Failure to control variations: On a number of occasions, variations to the contract have been written and priced only after the contract's completion.

Failure to control completion dates: In a number of instances, contractors completed works late, but managers failed either to extend the time or to seek damages for late completion. In most cases, there was good reason to extend the time, but managers had omitted to issue certificates in accordance with contracts' requirements.

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 anxious to ensure that previously encountered procedural difficulties are not repeated and have stated to auditors their intention to take robust action in making sure that their officers follow the approved rules at all times.

- **Contract System Reviews**

An examination of four specific contracts was undertaken along with a review of payments made to thirty 30 major creditors who had received substantial amounts from the council. Managers received reports highlighting the auditor's areas of concern and in 3 of the reviews a limited opinion was given with details as follows:

Advance Contracts (Midlands): Managers had obtained quotations or tenders for individual building or maintenance jobs carried out by this company. There were concerns that the council had not created schedule of rates or other contracts to control the council's relationship with this firm. A formal response has been received and a tender process to select three schedule of rates contractors now nears completion. This will allow managers to control the prices and response times for many routine maintenance tasks undertaken on the council's building stock.

BAT & Global Glass: The audit findings were similar to those for Advance Contracts (Midlands) Limited. Once again, planned introduction of schedule of rates contracts will improve the control environment.

Examination of payments to thirty major creditors: This examination highlighted a number of flaws in contractual arrangements including the failure to obtain authority, demonstrate appropriate tendering, make a formal appointment or arrange for a contract to be executed under the council's seal. Many of the arrangements examined are known to be old and do not represent current procurement practice. A formal response has been received and the service has been made aware that current practices have improved.

Training and advice

The council's current financial and contract rules date from August 2006 and managers intend to seek full council's approval to their revision. Auditors will provide further training courses once this has taken place. Auditors have created a "Contract Workbook" to enable managers to plan and record their actions throughout a contract. A trial version is being used by officers who are collaborating with the auditor to create a final version.

A database has been created to record all enquiries to auditors. This has highlighted the type and extent of advice provided to managers. Between 1 August 2007 and 31 March 2008, over four hundred responses to requests for advice were provided, many of these were detailed and required one or more emails.

- **Computer Audit Work**

Computer audit work is undertaken, under contract, by our external audit partner. During the year they undertook 8 specific projects and details of the work undertaken is shown at Appendix B. Four of the reviews received a limited assurance opinion and key improvement actions required are summarised as follows:

IT Governance - an up to date IT Strategy and plans to implement medium to long term governance arrangements;

ICT Change Management - a standardised ICT change management process, impact assessment of applying changes to an IT system in relation to other related IT systems and formal definition of what constitutes an emergency change to an IT system;

Acquisition & Disposal of Information Assets - alignment between the IT procurement strategy and the corporate plan and a disposal process that is aligned with the council's security and environmental requirements; and

Oracle CRM (customer relationship management) IT Application - a number of areas for improvement have been identified, including system administration arrangements, user training, access control, data quality and management information reporting.

Actions to improve arrangements have been agreed with senior IT managers.

Appendix C lists the 27 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 2008 and indicates managers' agreement to report action plans. A number of reports have yet to be finalised.

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.

Fraud and Irregularity

A total of 119 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 305 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

A number of managers reported concerns with employees allegedly making inappropriate use of the Council's internet and e mail facilities. All reported cases were investigated and the majority resulted in disciplinary action being taken and appropriate sanctions imposed.

Following the introduction of the new e mail internet policy the number of reported cases is much reduced. The policy is currently under review to address those areas where weaknesses have been identified since its introduction.

Freedom of Information / Data Protection Act requests

Following request, a number of audit papers / reports were provided in connection with Regulation of Investigatory Powers Act (RIPA) 2000 work, the NRF inquiry and other investigatory work.

Questions to Council

A number of audit responses were provided to questions in relation to directed surveillance (RIPA) and NRF funding.

National fraud initiative

A number of employee benefit frauds were revealed from the council's participation in the Audit Commission's national fraud initiative (NFI) data matching exercise and

from the benefit fraud team's work with DWP. Disciplinary action is taken in all identified cases.

School contracts

A number of concerns were noted in relation to the making and conduct of works contracts for the council's schools. These are the subject of ongoing discussion with senior council managers. Liaison with the council's strategic provider is continuing with the intention of providing a guide to schools' head teachers who wish to embark on contracts for works at their schools.

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 2007/8 will be reported to this evening's meeting and will demonstrate a high level of performance indicator achievement for the year including undertaking just under 97% of the approved audit plan work.

The report will also show that 78% of agreed actions were confirmed as implemented at internal audit's next visit, a reduction on last year's 79%. This level of implementation is 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 directorate management teams' involvement in seeking assurance from their managers that they have implemented or were taking action to implement agreed actions was intended to assist the process. The Audit Committee has remained insistent that this level of achievement should improve and the potential for managers who fail to implement agreed actions, having to attend before the Committee to provide explanation, will need to be re-enforced.

As part of the Annual Governance Statement process, executive directors and assistant directors were 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 schedules appropriately signed.

.....
DAVID BLACKER
CHIEF INTERNAL AUDITOR
12 JUNE 2008

Audit Task	Auditor	Completed Date	Not Achievable	Overall Assurance Rating
COUNCIL STRATEGIC:				
Charity Meetings	Various	31.03.08		n/a
Financial & Contract Rules	SO	31.03.08		n/a
Corporate Governance (Audit)	DB	31.03.08		n/a
Equalities - Internal Audit	RN	31.03.08		n/a
RIPA (DB)	DB	31.03.08		n/a
National Fraud Initiative	NP	31.03.08		n/a
Service Plan (IA)	Various	31.03.08		n/a
IPM (IA)	Various	31.03.08		n/a
UNPLANNED/FR6	Various	31.03.08		n/a
MAJOR SYSTEMS:				
<i>WALSALL BOROUGH STRATEGIC PARTNERSHIP</i>				
Local Area Agreements including NRF	MA	10.10.07		Limited
<i>FINANCE:</i>				
Council Tax / NNDR	JS	02.06.08		Significant
Housing & Council Tax Benefits	CONS	05.06.08		Significant
Welfare Rights	CONS	09.06.08		Significant
Landlords - Housing & Council Tax Benefits	JS	20.11.07		Full
Income Management System	NP	16.04.08		Full
Nominal Ledger & Central Accounting	CONS	21.04.08		Full
Treasury Management	JS	06.02.08		Full
VAT	NP	07.04.08		Significant
<i>LEGAL SERVICES (INC DEMOCRATIC)</i>				
Electoral Registration	SC	31.07.07		Significant
Coroner	ES	draft		Limited
Legal Services	CONS	10.06.08		Significant
<i>HUMAN RESOURCES:</i>				
Personnel (inc recruitment & selection)	CONS	draft		Significant
<i>BUSINESS SUPPORT:</i>				
Accounts Payable (Creditors)	CONS	dr final 4 6 08		Significant
Accounts Receivable (Debtors)	ES / CB	07.05.08		Significant
<i>BUILT ENVIRONMENT:</i>				
Waste Management Establishment	CB	25.02.08		Significant
Highways Establishment	JS	11.03.08		Significant
Estate Management (inc land terrier/sales)	CB	25.02.08		Significant
<i>LEISURE CULTURE & LIFELONG LEARNING:</i>				
Forrest Arts Centre	ES	*	*	*
<i>EDUCATION CLIENT/SCHOOLS</i>				
Education Partnership	SO	25.10.07		n/a
<i>CHILDREN & FAMILIES:</i>				
Children's Centres	SO	draft		Limited
Residential Care for Children:				
Castleview	ZK	14.08.07		Significant
Hilton Road	SC	02.10.07		Significant
Lichfield Road	ZK	04.09.07		Significant
Spindle Tree Rise	SM	12.03.08		Limited
Out of Borough Placements	JS	04.06.08		Significant
Review & Child Protection Unit	ZK	19.10.07		Significant
Children with Disabilities	SM	*	*	*
Initial Response Service	ZK	06.06.08		Significant
Outreach Services	SM	04.06.08		Significant
<i>PROCUREMENT:</i>				
Strategic Procurement	DW	x	x	x
<i>ADULT SERVICES:</i>				
Discretionary Revenue Grant	NP	*	*	*
ICES Pooled Budget	NP	07 05 08		Limited
Mental Health Teams:				
Aldridge	ZK	13.08.07		Significant
Assertive Outreach (Glebe Street)	ZK	*	*	*
Bloxwich (Pinfold Centre) ?North	SC	12.12.07		Significant
Bloxwich Hospital	ZK	04.04.08		Significant

Audit Task	Auditor	Completed Date	Not Achievable	Overall Assurance Rating
Carers Support (Darlaston)	SM	10.06.08		Limited
Crisis Team (Broadway North)	ZK	*	*	*
Darlaston	ZK	*	*	*
Dorothy Pattison	ZK	*	*	*
Younger Adults & Disability Services (YADS):				
User Involvement Carers Support	SC	18.10.07		Full
Pelsall Social Work Team	SC	14.09.07		Significant
Adult Protection Unit	SC	08.10.07		Significant
Learning Disability Teams:				
Allens Centre	SM	draft		Limited
Broadway North	SM	draft		Limited
Bloxwich Area Office (Adults)	ZK	05.06.08		Significant
<i>HOUSING SERVICES:</i>				
Disabled Facilities Grant	NP	29.05.08		Significant
Sandwell House	SM	06.06.08		Limited
Supporting People	NP	*	*	*
<i>ALL:</i>				
Payroll	MA / RN	05.06.08		Significant
Budgetary Control	JS	05.06.08		Significant
Capital Accounting	SC	31.08.07		Significant
Capital Programme	CONS	13.06.08		Significant
CPA	DB			n/a
Risk Management	CB	08.05.08		Full x 5
REGULARITY:				
<i>ECONOMIC REGENERATION</i>				
Advice	DW	31.03.08		n/a
<i>PHYSICAL REGENERATION:</i>				
Advice	CB	31.03.08		n/a
<i>ENVIRONMENTAL REGENERATION:</i>				
Advice	CB	31.03.08		n/a
<i>WALSALL BOROUGH STRATEGIC PARTNERSHIP:</i>				
Advice	RN	31.03.08		n/a
<i>NEW DEAL:</i>				
Advice	CB	31.03.08		n/a
<i>FINANCE:</i>				
Miscellaneous:				
Audit Committee Reports/Attendance	Various	31.03.08		n/a
Bank Account Reconciliations	ZK	19.03.08		Full
Banking Corporate Account Liaison	RN/SC	31.03.08		n/a
Advice	RN/MA	31.03.08		n/a
Housing/Council Tax Benefits:				
Subsidy Claim	VAC	x	x	x
Benefit Account Reconciliation	ES	10.03.08		Significant
<i>LEGAL SERVICES:</i>				
Advice	RN	31.03.08		n/a
<i>PERFORMANCE:</i>				
Advice	RN	31.03.08		n/a
<i>HUMAN RESOURCES:</i>				
Advice	RN	31.03.08		n/a
<i>BUILT ENVIRONMENT:</i>				
Advice	CB/DW	31.03.08		n/a
<i>SAFER WALSALL BOROUGH PARTNERSHIP:</i>				
Advice	CB	31.03.08		n/a
<i>NEIGHBOURHOOD PARTNERSHIPS & PROGRAMMES:</i>				
Advice	CB	31.03.08		n/a
<i>LEISURE CULTURE & LIFELONG LEARNING</i>				
Illuminations	ZK	12.10.07		Significant
Central / Branch Library Checks	ZK	04.04.08		Significant
Media Fund	ZK	06.11.07		Significant
Advice	CB/DW	31.03.08		n/a

Audit Task	Auditor	Completed Date	Not Achievable	Overall Assurance Rating
<i>EDUCATION CLIENT/SCHOOLS:</i>				
Advice:				
Schools - Advice & Support	Various	31.03.08		n/a
FMSIS General & Follow Up	Various	31.03.08		n/a
Advice	CB/DW	31.03.08		n/a
Secondary Schools:				FMSIS Pass / Fail
Aldridge Science School	DW	18.10.07		Pass
Alumwell Business & Enterprise College	DW	23.11.07		Pass
Barr Beacon Language College	DW	31.03.08		Pass
Blue Coat Performing Arts College	DW	19.02.08		Pass
Brownhills Community Technology College	DW	06.02.08		Pass
Darlaston Community Science College	DW	21.02.08		Pass
Primary Schools:				
Alumwell Junior	SM	18.04.08		Pass
Barcroft JMI	CB / DW	x	x	x
Bentley Drive JMI	ZK	13.02.08		Pass
Bentley West JMI	ZK	20.03.08		Pass
Birchills JMI	SM	06.03.08		Pass
Blackwood JMI	VAC	02.04.08		Pass
Busill Jones JMI	SM	05.03.08		Pass
Chuckery JMI	SM	11.04.08		Pass
Cooper & Jordan JMI	ZK	15.02.08		Pass
Delves Junior	ZK	13.12.07		Pass
Edgar Stammers JMI	SM	17.01.08		Pass
Fibbersley	ZK	07.05.08		Significant
Hatherton JMI	SM	23.04.08		Fail
Hillary Street JMI	ZK	14.02.08		Fail
Kings Hill JMI	ZK	x	x	x
Leighswood JMI	ZK	03.01.08		Pass
Lindens JMI	SM	14.04.08		Fail
Lower Farm JMI	ZK	04.03.08		Pass
New Invention Junior	SM	16.04.08		Pass
Old Church JMI	ZK	21.04.08		Pass
Palfrey Infants	SM	18.04.08		Pass
Palfrey Junior	SM	03.04.08		Pass
Park Hall Junior	ZK	15.04.08		Pass
Pelsall Village Junior	ZK	14.02.08		Pass
Pheasey Park Farm JMI	SM	26.10.07		Pass
Pinfold Street JMI	ZK	25.04.08		Fail
Rushall JMI	SM	14.04.08		Pass
Ryders Hayes JMI	ZK	05.03.08		Pass
St Johns JMI	SM	15.02.08		Pass
St Michaels	ZK	21.04.08		Pass
Woodlands JMI	ZK	02.01.08		Pass
Special Schools				
Castle	SM	26.10.07		Pass
Daw End	ZK	x	x	x
Jane Lane	SM	22.04.08		Fail
Mary Elliot	ZK	13.12.07		Pass
Oakwood	SM	05.03.08		Pass
Old Hall	ZK	19.03.08		Pass
<i>YOUTH SERVICE</i>				
Advice	CB/DW	31.03.08		n/a
<i>CHILDREN & FAMILIES</i>				
Advice	RN/MA	31.03.08		n/a
<i>COMMUNICATIONS:</i>				
Advice	RN	31.03.08		n/a
<i>PROCUREMENT:</i>				
Advice	CB	31.03.08		n/a
<i>SOCIAL CARE & INCLUSION:</i>				
Advice	RN/MA/NP	31.03.08		n/a

Audit Task	Auditor	Completed Date	Not Achievable	Overall Assurance Rating
CONTRACT AUDIT:				
<u>Final Accounts</u>				
First Stop Shop	SO	30.07.07		Significant
Joint West Midlands UKPMS survey	SO	31.08.07		Full
Brownhills College	SO	05.06.08		Limited
Prudential Code Conduct	SO	draft		Full
Maintenance of Highways Structures	SO	draft		Full
Bentley Drive Nursery	SO	05.03.08		Limited
Lindens School	SO	draft		No
Frank F Harrison College	SO	31.03.08		Limited
St Johns C of E School	SO	31.03.08		Limited
Darlaston Strategic Development Area	SO	17.03.08		Full
Ryders Hayes School	SO	03.04.08		Limited
Willenhall College	SO	31.03.08		Limited
<u>Systems Based</u>				
Advance Contracts (Midlands)	SO	draft		Limited
Aston Rose	SO	draft		Full
BAT & Global Class	SO	draft		Limited
Piper Construction	SO	draft		Significant
Examination of 30 major creditors	SO	draft		Limited
Advice	SO	31.03.08		n/a
COMPUTER AUDIT:				
Fiscom & Financial Assessment Calculator	CONS	10.06.08		Significant
Nurciss	CONS	10.06.08		Significant
PARIS	CONS	10.06.08		Significant
Housing Benefit EDMS	CONS	20.11.07		Full
ICT Change Management	CONS	10.04.08		Limited
Acquisition & Disposal of Information Assets	CONS	10.06.08		Limited
IT Governance	CONS	10.06.08		Limited
Oracle CRM	CONS	05.06.08		Limited

13.06.08

Appendix B

Audit opinions given to fundamental systems/processes in 2007/8

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

Computer Audit

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

Key ICT audit activities undertaken and in accordance with the planned work during 2007/8 included reviews of:

- Fiscom & Financial Assessment Calculator
- Nurciss
- PARIS

The review sought to provide assurance that the arrangements within the council in respect of the Fiscom, Nurciss and PARIS IT applications were in line with good practice and provided for robust governance and control. Individual application objectives were considered as part of the audit review. This is a final report and has been given a significant assurance opinion.

- Housing Benefit Electronic Document Management System (EDMS): The post implementation review of the system sought to establish that the project has been managed in accordance with council policies and good practice. This is a final report and has been given a full assurance opinion.
- ICT Change Management: The review sought to provide assurance that the ICT change management process was sufficient to manage the risks associated with applying changes and upgrades to key information systems used by the council. This is a final report and has been given a limited assurance opinion.

- Acquisition & Disposal of Information Assets: The review sought to provide assurance that all IT equipment was acquired and disposed of in line with good practice and council policy. This is a final report and has been given a limited assurance opinion.
- IT Governance: The review sought to provide assurance that the proposed medium to long term governance arrangements were in line with good practice and provided for a robust management framework and control of IT service management. This is a final report and has been given a limited assurance opinion.
- Oracle CRM: The review sought to provide assurance that the arrangements within the council in respect of the Oracle CRM IT application were in line with good practice and provided for robust governance and control. This is a final audit report and has been given a limited assurance opinion

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)

In addition to a routine audit visit to a newly established primary school (Fibbersley Park), FMSiS assessments were undertaken during 2007/08 at 28 primary and 5 special schools. In addition 1 re-assessment and 5 follow up visits were carried out at secondary schools. Based on the conclusions from this work, my opinion is that the control environment within the council's schools is of an overall adequate standard. Actions agreed with the schools during the year should help to ensure that improvements take place where needed.

All schools are required to comply with the financial management standard in schools (FMSiS) by March 2010. As part of this process, all secondary schools have now demonstrated compliance. In the case of the small number of primary and special schools required to meet the standard by March 2008, but have yet to fully satisfy the criteria, the section 151 officer will need to make a declaration in the section 52 outturn statement that appropriate steps are being taken to rectify this and ensure that those schools will meet the standard by 31 March 2009

Service Area	Audit	Assurance Rating	Progress
WBSP	Local Area Areements inc NRF	Limited	69 agreed actions
Built Environment	Coroners	Limited	Draft
Specialist Services	Residential Care for Children: Spindle Tree Rise	Limited	40 agreed actions
Adult Services	ICES Pooled Budget	Limited	12 agreed actions
	Mental Health Teams: Carers Support (Darlaston)	Limited	36 agreed actions
	Learning Disabilities Team: Allens Centre	Limited	Draft
	Broadway North	Limited	Draft
Housing Services	Sandwell House	Limited	31 agreed actions
Schools	Hatherton JMI	Fail	17 agreed actions
	Hillary Street JMI	Fail	14 agreed actions
	Lindens JMI	Fail	13 agreed actions
	Pinfold Street JMI	Fail	12 agreed actions
	Jane Lane Special School	Fail	40 agreed actions
Contracts	Children's Centres	Limited	Draft
	Brownhills College	Limited	9 agreed actions
	Bentley Drive Nursery	Limited	8 agreed actions
	Lindens JMI	No	Draft
	Frank F Harrison College	Limited	8 agreed actions
	St Johns CE JMI	Limited	9 agreed actions
	Ryders Hayes JMI	Limited	11 agreed actions
	Advance Contract Midlands	Limited	Draft
	BAT & Global Glass	Limited	Draft
	Examination of 30 Major Creditors	Limited	Draft
Computer	ICT Change Management	Limited	3 agreed actions
	Acquisition / Disposal of Information Assets	Limited	10 agreed actions
	IT Governance	Limited	2 agreed actions
	Oracle CRM	Limited	6 agreed actions