

<h1 style="margin: 0;">AUDIT COMMITTEE</h1> <p style="margin: 0;">16 OCTOBER 2006</p>	<h2 style="margin: 0;">AGENDA ITEM</h2>
<p style="margin: 0;">INTERNAL AUDIT: ACTIVITY FOR THE SIX MONTHS ENDING 30 SEPTEMBER 2006</p>	
<p>Summary of report: This report presents internal audit's activity for the six months ended 30 September 2006, outlining ongoing and completed work and providing performance information.</p>	
<p>Background papers: Internal audit reports/quarterly monitoring reports.</p>	
<p>Reason for scrutiny: The audit committee's activities include ensuring that an effective internal control environment is maintained and regular and ongoing scrutiny of internal audit work. This report supports the committee in exercising that role.</p>	
<p>Recommendations:</p> <ol style="list-style-type: none"> 1. To note that as at quarter 2 of 2006/7 Internal Audit had delivered on all of its performance targets; maintaining a high level of overall performance for the year. 2. To select for detailed scrutiny, a sample of completed audit reports from the list at Appendix 4. <p style="margin-top: 20px;">Signed:</p> <p>Executive Director: Carole Evans</p> <p>6 October 2006</p>	
<p>Resource and legal considerations: Paragraph 6 of the Accounts and Audit Regulations 2003, as amended by the 2006 regulations, requires councils to maintain an adequate and effective system of internal audit of accounting records and system of internal control in accordance with proper internal audit practices. Under section 151 of the Local Government Act 1972, the council has designated the executive director (corporate services) as the chief finance officer, who is responsible for making arrangements for the proper administration of the council's financial affairs. The cost of providing internal audit is fully charged to services based on audit activity.</p>	
<p>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 regarding the security of our operations.</p>	
<p>Environment impact: None arising directly from this report.</p>	

Performance Management and Risk Management Issues:

Many audit committee activities are an important and integral part of the council's performance management and corporate governance frameworks. The internal audit strategic plan is risk assessed to ensure areas most at risk are examined as a priority. **Appendix 5** shows quality targets and performance indicators (PIs); summarised below.

Quality Targets/PIs (e.g. Response Time)	% Target	% Achieved 2006/07	% Achieved 2005/06
Audits completed within planned time	95	95	95
Spending within budget	100	100	100
Productivity rate	65	Est 65	74.2
Audit plan achievement	90	Est 90	96.2
Report issued within 10 working days of exit meeting	80	88	92
Recommendations accepted/implemented or agreed	95	97	98
Returned customer questionnaires to show satisfaction	95	100	100
Overall perception of quality of service from Council wide Internal Audit survey	95	-	-
Recommendations confirmed as actually implemented at next audit visit (see below)	95	78	74

As at 30.09.06 the service has delivered in all of its performance targets; maintaining a high level of overall performance for the year.

On completion of an audit review, a recommendation action plan is agreed with the relevant directorate manager who is then responsible for ensuring its implementation. A level of 74% and 73% respectively was achieved in each of the last 2 years against a target of 95%. The current level is higher at 78%. Although implementation of agreed recommendations is a directorate manager's responsibility, an audit follow up process is in place to improve performance in this area.

It is important that agreed internal audit recommendations are implemented promptly by accountable managers, as this helps to secure and strengthen the internal control environment. The follow up process is briefly, as follows:

- Internal audit advise all managers being audited that failure to implement agreed audit recommendations may result in their being called to the audit committee to provide explanation;
- Within a short period of completing the audit review, formal confirmation is sought from the manager that agreed recommendations contained within the audit report action plan have been implemented. This will require, without exception, formal responses, to confirm actions taken, are received from managers;

- Recommendation implementation will shortly appear on directorate leadership team agendas and executive directors will seek formal confirmation from their managers that agreed audit recommendations have been implemented by agreed dates, and that they have formally responded to audit correspondence seeking confirmation of action taken.

Confirmation of implemented recommendations is sought at the next audit visit. A performance level of 78% has been achieved as at quarter 2 of 2006/07. Arising from the additional follow up actions recently introduced, an improvement in this performance level is anticipated.

Equality Implications:

None arising from this report.

Consultation:

The proposed annual work plan was discussed with relevant senior directorate managers during April and May 2006. Following completion of each piece of audit work, and before issuing the final version, the manager's agreement to implement recommendation(s) listed in the audit report action plan is sought.

Vision impact:

Internal audit work contributes towards the council's vision in ensuring services operate in a sound control environment and provide excellent customer services.

Contact Officer

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INTERNAL AUDIT - REPORT FOR THE SIX MONTHS ENDING 30 SEPTEMBER 2006

1 Audit Plan, Performance and Resourcing

- 1.1 Internal audit coverage is determined using a risk assessment and high risk areas are audited as a priority. **Appendix 1** shows planned activity for 2006/7; summarised below:

2005/6		FULL YEAR WORK PLAN DETAILS	2006/7	
DAYS	%		Days	%
1,605	68	Systems/probity (computer, contract , council strategic)	1,367	61
771	32	Irregularity/consultancy requiring urgent attention	889	39
2,376	100	TOTAL	2,256	100

- 1.2 **Appendix 2** compares actual and planned activity for the six months, including that of the chief internal auditor, and is summarised below.

DESCRIPTION	Estimated days for year	Proportion of days to 30.09.06	Actual days for year	%
Available weekdays	2,996	1,436	1,436	
Less: allowances:				
Leave, bank holidays	(-) 445	(-) 263	(-) 263	
Administration	(-) 149	(-) 75	(-) 70	
Contingency/other lost time (inc sickness)	(-) 86	(-) 43	(-) 85	
Training & development	(-) 60	(-) 31	(-) 16	
SUB TOTAL	2,256	1,024	1,002	
Time allocation:				
Systems/probity	1,367	579	484	48
Irregularity/consultancy	889	445	519	52
TOTAL	2,256	1,024	1,003	100

- 1.3 **Appendix 2** shows that although 1,024 net productive days were estimated to be available, actual days were 22 less, at 1,002 days. This was due to unbudgeted sickness/medical appointments (10 days), contingency/ admin (27 days) but offset by savings of 15 days on training.
- 1.4 At 01.04.06 the service's establishment comprised 12 posts (11.5 FTEs). The structure and team responsibilities are shown at **Appendix 3**. One of the assistant auditors resigned wef 29.09.06.

2 Audit Work Allocation and Charging Basis

- 2.1 In March 2006 proposed work programmes and charges for 2006/7 were sent to executive directors and other senior managers. During April and May 2006 meetings took place with most of those officers to discuss and receive feedback on the proposals.
- 2.2 Each auditor has a personal annual work plan and is responsible for planning, monitoring and achieving their workload. All are aware of the service's quality indicators and the need to not exceed planned times without prior approval from their manager. Where actual time exceeds planned time due to issues arising in the service being audited, additional costs are charged to the relevant service.

3 Performance

3.1 Irregularity/Consultancy Work

3.1.1 This partly relates to potentially fraudulent activity reported under financial and contract rule 5 in respect of irregularities and confidential reporting in accordance with the council's whistleblowing policy and the '*Anti Fraud and Anti Corruption Policy and Strategy*'. The service also undertakes consultancy/advisory work, including corporate projects and initiatives, at the request of senior managers. The service has tackled a higher than anticipated number of irregularity/fraud inquiries during the period. Although the 2006/7 plan has 889 days (445 days to 30.09.06) for irregularity/consultancy work, to 30.09.06, 519 days have been charged (74 extra).

3.2 Probity/Systems Work

3.2.1 Nearly assignments were completed within planned timescales during the period.

3.3 Computer Audit

3.3.1 This is undertaken by our audit partner and the programme currently comprises seven projects; IT/information security policy, internet and e-mail, IT development, acquisition & disposal of IT equipment, physical & environmental security, Oracle – general ledger and Paris. This is currently under review and may change having regard to the ICT strategic review.

3.4 Contract Audit

3.4.1 5 final accounts with a value of just over £1.3m were cleared during the period. Advice on procedural improvements has been provided on these accounts, along with other advice and assistance, to senior managers on financial and contract procedure rules and the development of safe contracting processes.

3.5 Contingency (including sickness/absence)

3.5.1 This overhead is continuously monitored to ensure charges are minimised.

4 Progress Reports to Services

4.1 Directorates are charged monthly based on a share of the annual planned time for routine, regularity and system audits. Actual costs for irregularity/unplanned work are also charged. **Appendix 4** shows work completed and/or near completion. Of the 583 recommendations made 565 (97%) were agreed for implementation. Relevant managers are responsible for ensuring these are promptly implemented.

5 Performance Management

5.1 Internal audit has for a number of years participated in the CIPFA national benchmarking club. As part of this exercise the service continues to compare itself with upper quartile authorities to set even more challenging targets for improvement while also improving processes and achievement. Local performance indicators (PIs) at **Appendix 5** show that the service achieved in all of its indicators applicable for the year.

5.2 The PI relating to 'agreed recommendations confirmed as actually implemented at the next audit visit', although improving, is currently below target. Following completion of an audit, a recommendation action plan is agreed with the relevant manager who is

accountable for implementation. To improve performance, robust follow up action by internal audit was introduced during 2003/04 which seeks managers' formal confirmation that recommendations have been implemented. Managers are advised that where a response is not received, confirming action taken, it is assumed that all recommendations have been fully implemented. Managers are also advised that failure to implement recommendations may require their attendance at the audit committee to provide explanation.

- 5.3 Although this action has proved successful in the majority of cases, with managers taking steps to implement recommendations, a small number have failed to take appropriate steps even some of those confirming to audit that the necessary action had been taken. **Appendix 5** shows where confirmed recommendations were not actioned.
- 5.4 With regard to seeking managers' confirmation that recommendations have been implemented, this practice has been revised and now requires managers, without exception, to formally confirm to internal audit that recommendations have been actioned or that they have been rescheduled for action to a later stated date.
- 5.5 To also assist in this process directorate leadership teams will shortly receive a summary of planned work start dates for the year and details of previously agreed recommendations with a view to seeking formal confirmation from relevant managers, to their team meetings, that recommendations have been actioned.

6 Other Initiatives

- 6.1 The service continues to work towards achieving the requirements of the Race Relations (Amendment) Act 2000 and the Commission for Racial Equality Standard for Local Government. The service is part of the finance, law and performance equalities board and is currently working towards achieving level 3 of the Commission for Racial Equality Standard for Local Government. The service has a current *Investors in People* recognition.

INTERNAL AUDIT- AUDIT FULL YEAR PLANNED TIME 2006/07

	<u>Team 1</u>	<u>Team 2</u>	<u>Comp Audit</u>	<u>CIA</u>	<u>Grand Total</u>
Available days	<u>1,170</u>	<u>1,456</u>	<u>110</u>	<u>260</u>	<u>2,996</u>
Allowances					
Annual Leave	128	154	-	30	312
Bank Holidays	54	67	-	12	133
Sickness	-	-	-	-	-
Sub Total (a)	<u>182</u>	<u>221</u>	<u>-</u>	<u>42</u>	<u>445</u>
Administration	20	20	-	109	149
Contingency	53	32	-	1	86
Training – Post Entry	5	-	-	-	5
- Other	<u>22</u>	<u>28</u>	<u>-</u>	<u>5</u>	<u>55</u>
Sub total (b)	<u>100</u>	<u>80</u>	<u>-</u>	<u>115</u>	<u>295</u>
PLAN DAYS AVAILABLE	<u>888</u>	<u>1,155</u>	<u>110</u>	<u>103</u>	<u>2,256</u>
Allocation :					
FR6/Unplanned	402	425	-	62	889
Systems	379	291	-	-	670
Regularity	91	277	-	20	388
Computer	-	-	110	-	110
Contracts	-	130	-	-	130
Council Strategic	<u>16</u>	<u>32</u>	<u>-</u>	<u>21</u>	<u>69</u>
TOTAL	<u>888</u>	<u>1,155</u>	<u>110</u>	<u>103</u>	<u>2,256</u>

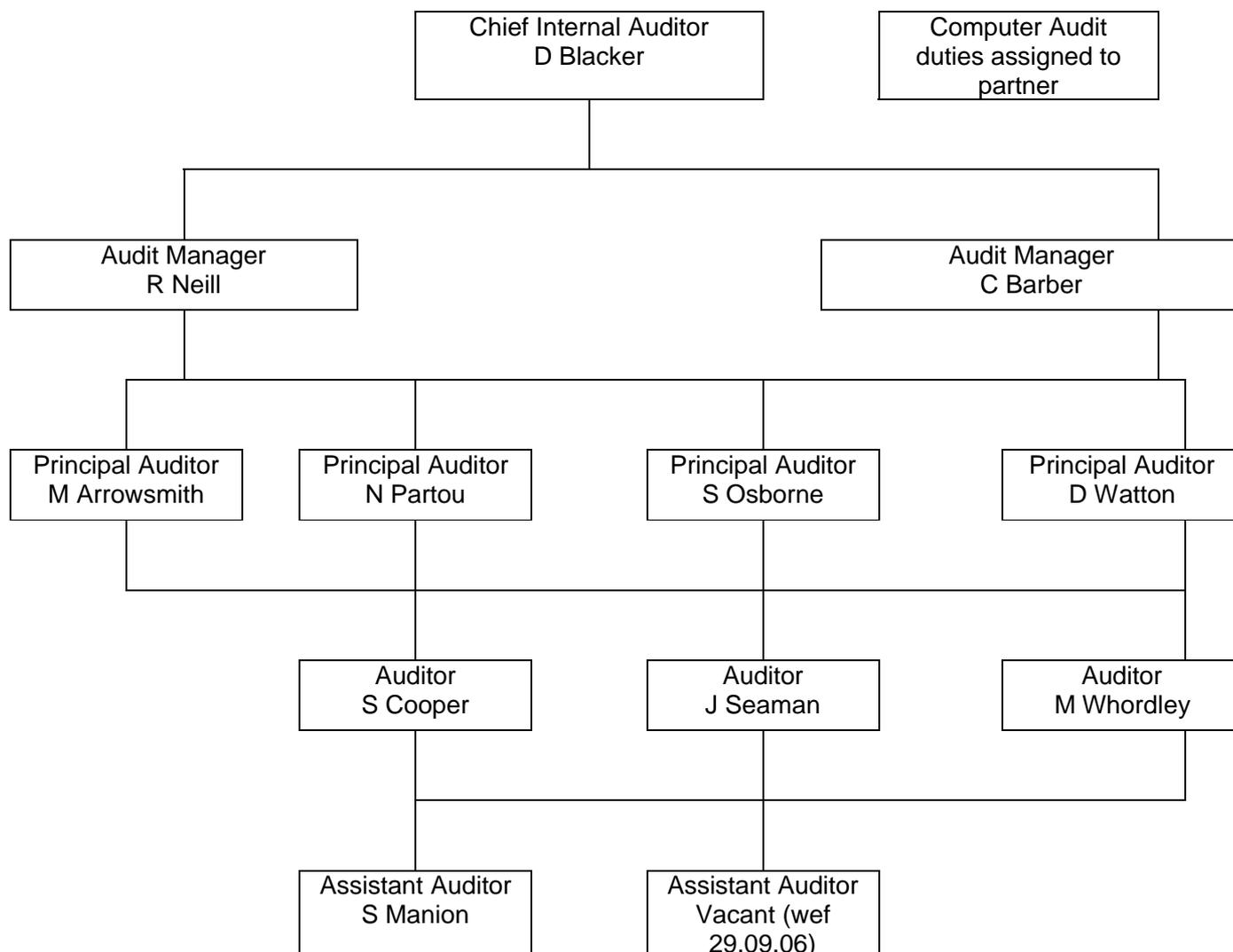
INTERNAL AUDIT– AUDIT ACTUAL TIME – SIX MONTHS ENDING 30 SEPTEMBER 2006

APPENDIX 2

					ORIGINAL	YEAR	DIFFERENCE
	Team 1	Team 2	CIA	Total	Full Year	Pro Rata	Col (7) - Col (6)
	(2)	(3)	(5)	(6)	(7)	(8)	(9)
Available days (a)	585	721	130	1,436	2,996	1,436	-
Less:							
Annual Leave	81	76	15	172	312	172	-
Bank Holidays	38	45	8	91	133	91	-
Elections	-	1	2	3	-	-	(-) 3 loss
Compassionate Leave	-	6	-	6	-	-	(-) 6 loss
Special Leave	-	3	-	3	-	-	(-) 3 loss
Sickness/Medical Appointments	2	8	-	10	-	-	(-) 10 loss
Administration	5	20	45	70	149	75	5
Contingency	36	27	-	63	86	43	(-) 20 loss
Training - Post Entry	4	-	-	4	5	3	(-) 1 loss
- Other	5	6	1	12	55	28	16
Sub Total (b)	171	192	71	434	740	412	(-) 22 loss
Plan days available (a) - (b)	414	529	59	1,002	2,256	1,024	22 less
Comprising:							days available
Unplanned	236	241	42	519	889	445	(-) 74
Systems/Regularity/VFM	173	259	26	458	1,127	459	1
Computer	-	-	-	-	110	55	55
Contract	1	23	2	26	130	65	39
GRAND TOTAL	410	523	70	1,003	2,256	1,024	21 less days available

INTERNAL AUDIT

1) Establishment and 2) Team Responsibilities - 30 September 2006



2) Committee/Service Area Responsibilities

Team 1:

- Finance
- Performance
- Legal Services (inc democratic)
- Human Resources
- Organisational Development
- Children & Families
- Communications
- Adult Services
- Housing Services
- Strategic Support & Partnerships
- Major Projects
- Corporate Support
- ISS
- Business & Support Services
- Computer**

Team 2:

- Economic Regeneration
- Physical Regeneration
- Environmental Regeneration
- Walsall Borough Strategic Partnership
- New Deal
- Built Environment
- Safer Walsall Borough Partnership
- Neighbourhood Partnership & Programmes
- Leisure Culture & Lifelong Learning
- Education Client/Schools
- Youth & Community
- Procurement

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit	Conclusions
				Current Made	Agreed	Previous Agreed	Act'd		
Chidrens & Families									
Youth Offending Team		Voluntary Sector Contract - NCH Ltd (Childrens Fund) *	03.08.06	1	1	-	-	-	The procedures and controls relating to this contract were found to be of an adequate standard overall. The Children's Fund is a government programme aimed at children and young people aged between 5 and 13 years who are at risk of social exclusion. The contract was tendered in 2002, resulting in the appointment of NCH Ltd. The contract duration was for two years (upto 2004) with an option to extend by a further two years (up to 2006). The tender documents in relation to this contract have been retained on file. It was identified, however, that the contract was not sealed until August 2005; and the final document not forwarded to NCH Ltd until October 2005.
Schools									
Walsall Wood JMI		Alumwell Infants	11.06.06	17	17	18	15	2001/02	The financial and other systems operated at Alumwell Infants School were found to be of an adequate standard. A number of good practices were noted during the audit including governance, financial planning, budgeting and financial control. Income procedures however, are in need of improvement. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.
Queen Marys Grammar		Bentley Drive JMI	25.06.06	29	29	16	12	2002/03	The financial and other systems operated at Bentley Drive JMI School were found to be of an adequate standard. A number of good practices were noted during the audit, including banking procedures and data security. There are some areas in need of improvement including extended activities. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.
Delves Junior		Birchills JMI	19.07.06	14	14	21	21	2002/03	The financial and other systems operated at Birchills C E Primary Community School were found to be of a good standard. There are a number of good practices at the school, including governance, financial planning, budget monitoring, purchasing, financial control and data security. Two areas in need of improvement however, are petty cash and especially school fund. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit	Conclusions
				Current Made	Agreed	Previous Agreed	Act'd		
King Charles JMI		Edgar Stammers JMI	13.07.06	8	8	21	17	2002/03	The financial and other systems operated at Edgar Stammers Primary School were found to be of a good standard. A number of good practices were noted during the audit, including; governance, financial planning, budget monitoring, financial controls, administration of the petty cash imprest, banking procedures, voluntary fund administration, the management of the inventory, insurance and data security. Purchasing arrangements require some improvement. However the prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.
Kings Hill JMI		Alumwell Junior	18.07.06	23	23	24	19	2001/02	The financial and other systems operated at Alumwell Junior School were found to be of an adequate standard. A number of good practices were noted during the audit, including financial planning, budget monitoring, financial control and data security. There are some areas in need of improvement including banking, purchasing and school fund. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.
		Queen Marys High	07.07.06	17	15	12	8	2003/04	The financial and other systems operated at Queen Mary's High School were found to be of a good standard. A number of good practices were noted during the audit, including financial planning, budget monitoring, assets, security and payroll arrangements. However, the procedures relating to the receipt and reconciliation of income from the school canteen is an area for some improvement. The prompt implementation of recommendations contained within this audit report will assist in enhancing procedures undertaken within the school.
		St Francis of Assisi	11.09.06	6	6	11	10	2004/05	The financial and other systems operated at St Francis of Assisi Catholic Technology College were found to be of a good standard. The majority of areas covered during this audit review were found to be of a good standard. There is however, one area, procurement, where improvement in the current processes would be possible. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.
		Bentley West JMI	20.07.06	15	15	18	17	2002/03	The financial and other systems operated at Bentley West Primary School were found to be of a good standard. A number of good practices were noted during the audit, including; governance, financial planning, budget monitoring, financial controls, administration of the petty cash imprest and insurance. There are some areas which require improvement, including data security, banking procedures, voluntary fund administration and the management of the inventory. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit	Conclusions
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		Valley Nursery	28.07.06	12	12	31	25	2004/05	The financial and other systems operated at Valley Nursery School were found to be of a good standard. A number of good practices were noted during the audit, including; governance, financial planning, budget monitoring, financial controls, administration of the voluntary fund and excellence bank accounts. There are some areas which require improvement. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken within the school.
<u>Adult Services</u> Foster Care & Adoption		Bank Accounts *	18.08.06	4	4	14	11	2004/05	The systems surrounding the administration of the bank accounts held within social care & inclusion were found to be of an adequate standard. Overall, management and staff provide an effective and efficient administration of social care & inclusion bank accounts. A number of good practices were noted in relation to the administration of receivership accounts and reconciliations undertaken on the NURRCIS system. There are some areas, however, which require improvement including the documentation of procedure notes, review of bank mandates and some tightening of segregation of duties.
Goscote Training Centre		ICES Pooled Budget *	17.08.06	21	21	-	-	-	The system of control for the administration of the ICES pooled budget was found to be of an adequate standard. The ICES pooled budget came into effect on 1.04.05, 2005/06 being the first year of operation of the pool. Some of the control weaknesses identified during the audit appear to have arisen due to the way in which the arrangements for the operation of the pool have evolved. There is no contract yet in place between the council as lead commissioner and the tPCT as provider for the ICES, although a service specification for this arrangement is in place. The manner in which the council as lead commissioner has applied contract procedure rules in commissioning this service also requires clarification. The council and tPCT have not pooled budgets during 2005/06 financial year in accordance with the partnership agreement but have chosen to initiate pooling in a single transaction at the year end. The audit also identified that despite the council commissioning the tPCT to procure equipment on the pool's behalf, the council continue to procure equipment outside of this arrangement.
Rushall Mews		Links to Work	15.09.06	32	32	20	18	2004/05	The systems operating within Links to Work are of an adequate standard. A number of good practices were noted, in particular; stock records, staff records, security and performance management. While good progress has been made towards improving procedures since the previous audit report, additional improvement in some areas is still required including; the documentation of financial/administrative procedures, ensuring the safe insurance limit is not exceeded and procurement arrangements. The prompt implementation of recommendations contained within this audit report will assist in enhancing procedures undertaken.

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit	Conclusions
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Bentley Resource Centre	Accountable Body Status *	Meadow House	28.09.06	30	30	18	11	2003/04	The financial and other systems operated within Meadow House were found to be of an adequate standard. A number of good practices were noted during the audit, including, the production of procedure notes as part of the quality assurance system, arrangements for residents' personal allowances and performance management. There are some areas which require improvement, including the administration of staff records, the administration of petty cash and procurement is in accordance with contract and financial procedure rules. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken.
Delves Resource Centre									
Short Heath Resource Centre									
Direct Payments									
Finance									
Banking Hall									
Benefit Account Reconciliation									
Walsall Borough Strategic Partnership									
Walsall Borough Strategic Partnership									
Leisure, Culture & Lifelong Learning									
		Darlaston Multi Purpose Centre	30.08.06	14	14	49	43	2005/06	The procedures and other systems operated were found to be of an adequate standard. A number of good practices were noted during the audit, including admissions, sales income and till procedures, bookings, ordering and purchasing and security arrangements. Some control weaknesses were identified in relation to petty cash and stock control procedures. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken at Darlaston and other leisure centres.
		Bentley Leisure Pavillion (inc Grange Golf)	30.08.06	8	8	49	48	2005/06	The procedures and other systems operated were found to be of a good standard. A number of good practices were noted during the audit, including admissions, sales income and till procedures, bookings, ordering and purchasing and security arrangements. Some control weaknesses were identified in relation to staffing procedures. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken at Bentley leisure pavillion, grange golf and other leisure centres.

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit	Conclusions
				Current Made	Agreed	Previous Agreed	Act'd		
		Willenhall Leisure Centre	30.08.06	10	10	49	45	2005/06	The procedures and other systems operated were found to be of a good standard. A number of good practices were noted during the audit, including admissions, sales income and till procedures, bookings, ordering and purchasing and security arrangements. Some control weaknesses were identified in relation to petty cash. The prompt implementation of recommendations contained within this audit report will further assist in enhancing procedures undertaken at Willenhall and other leisure centres.
<u>Safer Walsall Borough Partnership</u>									
Safer Communities - Anti Social Behaviour									
<u>Neighbourhood Partnerships & Programmes</u>									
ESF/ERDF									
<u>Built Environment</u>									
Highways Management									
<u>All</u>									
Service Planning		Accounts Payable - Neighbourhood Service *	25.07.06	25	25	39	12	2004/05	The system operated for accounts payable (creditors) within the neighbourhood directorate was found to be of an adequate standard. While a number of good practices were noted in particular; systems security, receipt of goods, allocation of financial codes, accountability for VAT and data protection, several areas for improvement were identified including; general procedures, segregation of duties, timeliness of payment, payment of invoices and authorisation processes. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.
Risk Management		Accounts Payable - Corporate Services *	15.08.06	45	38	50	33	2004/05	The system operated for accounts payable (creditors) within the corporate directorate was found to be of an adequate standard. While a number of good practices were noted in particular; system security, quotation/tendering procedures, receipt of goods, allocation of financial codes; reconciliation procedures and accountability of VAT, several areas for improvement were identified including; requisitioning and ordering procedures; segregation of duties; returned cheques; payment of invoices and cheque procedures. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit	Conclusions
				Current Made	Agreed	Previous Agreed	Act'd		
Best Value / Performance Indicators		Accounts Payable - Social Care & Inclusion *	09.08.06	20	19	20	14	2004/05	The system operated for accounts payable (creditors) within the social care and inclusion directorate was found to be of an adequate standard. While a number of good practices were noted in particular; systems security; receipt of goods; post opening procedures; allocation of financial codes, timeliness of payment and accountability for VAT, areas for improvement were identified including; general procedures, quotation/tendering procedures and returned cheques. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken. This audit has also identified that only 19.69% of paid invoices are correctly matched to a corresponding order. There is therefore a corporate requirement to ensure that the use of and take up of Oracle iProcurement is used consistently across the council with all invoices matched correctly to a corresponding invoice. The Oracle iProcurement team should continue to work alongside the accounts payable team to ensure improvements occur.
		Accounts Payable - Regeneration *	01.08.06	17	16	-	-	-	The system operated for accounts payable (creditors) within the regeneration directorate was found to be of an adequate standard. While a number of good practices were noted in particular; systems security, receipt of goods, allocation of financial codes and accountability for VAT several areas for improvement were identified including; general procedures, payment of invoices, timeliness of payment, quotation/tendering procedures and returned cheques. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.
		Accounts Receivable - Neighbourhood Services *	01.08.06	10	10	37	32	2004/05	The accounts receivable system operated by the neighbourhood directorate was found to be of an adequate standard. A number of good practices were noted during the audit, including awareness of corporate procedures regarding the accounts receivable system, maintenance of the standing charges register and for writing off accounts. The control environment can be improved however, in the authorisation of invoice requests, administration of credit notes, authorisation of delayed recovery and monitoring of debt recovery performance

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		Accounts Receivable - Corporate Services *	25.07.06	16	15	59	50	2004/05	The accounts receivable system operated by the corporate services directorate was found to be of an adequate standard. A number of good practices were noted during the audit, including awareness of current policies and procedures, daily reconciliation of the accounts receivable system to the daily collection account, prompt clearance of the suspense account, control account reconciliation, writing off accounts, performance targets for the development of the accounts receivable system and planning for improvement to debt recovery performance. The control environment can be improved however by obtaining the support of the executive management team for improving debt recovery performance, and by assigning responsibility for the monitoring of debt recovery performance, ensuring appropriate checks and authorisations are undertaken where invoices are raised from schedules, setting access limits for making amendments/credits, introducing procedures for the authorisation of accounts put into dispute, the production of exception reports, setting debt collection rates and undertaking benchmarking exercises.
		Accounts Receivable - Social Care & Inclusion *	25.07.06	9	9	17	15	2004/05	The accounts receivable system operated within social care and inclusion directorate was found to be of an adequate standard. A number of good practices were noted during the audit, including procedures for writing off accounts and documentation supporting accounts put into dispute (where debt recovery is prevented). The control environment can however be improved in the administration of credit notes and raising awareness of relevant corporate procedures.
		Accounts Receivable - Childrens Services *	25.07.06	7	7	-	-	-	The accounts receivable system operated by the children directorate was found to be of an adequate standard. A number of good practices were noted during the audit, including awareness of corporate procedures, invoices raised promptly, the completion of credit note request forms, appropriate procedures in place for writing off accounts and secure retention of stationery and data. The control environment however can be improved by documenting authority to delay collection (disputed accounts) and assigning responsibility for the monitoring of debt recovery performance.
		Accounts Receivable - Regeneration *	01.08.06	8	8	-	-	-	The accounts receivable system operated by the regeneration directorate was found to be of an adequate standard. A number of good practices were noted during the audit, including, an awareness of corporate procedures, prompt raising of accounts and procedures for write-offs. The control environment can however be improved by documenting authority to delay collection (disputed accounts) and assigning responsibility for the monitoring of debt recovery performance.

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit	Conclusions
				Current Made	Agreed	Previous Agreed	Act'd		
		Payroll *	27.07.06	99	99	98	62	2004/05	The systems and procedures in operation were found to be of a poor standard. Although some progress has been made in addressing the payroll recommendations previously reported, this audit review has continued to identify control weaknesses within the processing of the council's payroll. While it is recognised that management in both payroll and employment support have taken positive action to remind officers of their responsibilities in complying with procedures and policies, weaknesses have continued to be identified by internal audit when re-performing tests of these areas. Control weaknesses such as a lack of segregation of duties, lack of evidence of authorisation and senior / independent review remain and these have led to a number of exceptions being noted in the sample of establishment, starters, leavers, variations to pay and absence monitoring / reporting tested. The prompt implementation of the recommendations made within this report, together with ownership by relevant officers and also directorate management teams, should improve the control environment and the audit opinion for 2006/07.
		Budgetary Control - Neighbourhood Services *	21.07.06	17	14	9	6	2004/05	The system operated for budgetary control within the neighbourhood directorate was found to be of a good standard. A number of good practices were noted, in particular budget monitoring, amendments and virements and the relationship between cost centre managers and accountants. Some areas for improvement were however, identified and include budget accountability and review of budgets. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.
		Budgetary Control - Social Care & Inclusion *	03.08.06	14	12	2	1	2004/05	The system operated for budgetary control within the social care and inclusion directorate was found to be of a good standard. A number of good practices were noted, in particular budget setting, budget monitoring and amendments and virements. Some areas for improvement were however, identified and include budget accountability and review of budgets. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.
		Budgetary Control - Regeneration *	21.07.06	10	9	6	5	2004/05	The system operated for budgetary control within the regeneration directorate was found to be of a good standard. A number of good practices were noted, in particular budget setting, budget monitoring, amendments/virements and the relationships between cost centre managers and accountants. Some areas for improvement were however, identified and include budget accountability and review of budgets. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit	Conclusions
				Current Made	Agreed	Previous Agreed	Act'd		
		Inventories/Stock - Occupational Therapy *	03.08.06	4	4	-	-	-	The systems operated in support services were found to be of a poor standard overall. Occupational therapy stock is a part of the 'integrated community equipment stores' (ICES), which is managed under the section 31 'Pooled Budget' agreement with Walsall Primary Care Trust (PCT), established in April 2005. The council is the 'Host' and 'Lead Commissioner' under this contract and the accountable body. The section 31 agreement requires that the council's standing financial instructions shall apply to the management of the pooled fund and the partnership arrangements. There is no contract yet in place between the council as lead commissioner and the tPCT as provider for the ICES, although a service specification for this arrangement has been drafted. Consequently, the manner in which the council as lead commissioner has applied financial and contract procedure rules in commissioning this service requires clarification, which is now in hand. Staff at the stores are employees of the tPCT and include some people who transferred under TUPE from social services.
		Capital Accounting	20.07.06	7	7	5	5	2004/05	The systems operating with regard to capital accounting were found to be of a good standard. A number of good practices were noted during the audit including the existence of procedure notes and the maintenance of the fixed asset register. Some areas for improvement were noted including ensuring the prompt notification to the corporate performance and treasury team by individual service areas of any required amendments of the fixed asset register.
Contract	Revenue Contract - Chrystal Computing *	Landscape Improvements - Palfrey Park	19.04.06	8	8	-	-	-	Approval for these works to be tendered does not appear to have been granted in accordance with the council's contract procedure rule 19.3 as in force when tenders were sought in January 2003. Formal acceptance of the tender was given by the head of community and leisure, on 11 February 2003. This is contrary to the requirements of contract procedure rule 25.3, as in force at that time. Two suppliers were nominated to the contract. There is no evidence that these were selected in accordance with contract procedure rule 15.2 as in force in January 2003. A file note exists regarding creation of a contract under the council's seal. There is no evidence that any contract has been executed. The file does not contain a race relations questionnaire as required by contract procedure rule 30.1 (a) as in force at that time. Although all variations were evidenced in writing, instructions for a number of items were only created some months after the works had achieved practical completion.
		Paper Bulk Unit	24.04.06	2	2	-	-	-	Although all variations were evidenced in writing, instructions for nine items were only created after the works had achieved practical completion. The project was due to achieve practical completion on 12 February 2005. An extension of time was granted to the contractor but this was not certified until 5 April 2006, following receipt of the contractor's final account.

Ongoing	Draft	Final	Date of Final Report	Recommendations				Date of Last Audit	Conclusions
				Current Made	Agreed	Previous Agreed	Act'd		
		Somerfield Road / High Street Right Turn Facility	24.05.06	0	0	-	-	-	
		Ryders Hayes JMI - Phase 1	08.06.06	0	0	-	-	-	
		Mossley JMI - fire damaged kitchen	22.08.06	4	4	-	-	-	Although the contractor's tender was valued at £139,975.00, the letter of appointment was in the sum of £150,059.00. The letter referred to this as a "negotiated tender". There is no explanation of why the tender value was altered prior to the contractor's appointment. The council's contract procedure rules do not envisage the negotiation of tender sums. There is no evidence of the contractor providing a surety to the council. Details needed to create and execute a contract under the council's seal were provided to the appropriate officers, but no contract has yet been completed. Additional works were added to the contract by means of quotations and orders. These appear to have formed part of neither the original specification nor architect's instructions. Payment has been made to the contractor for these items. The reason for this method of extending the contract works appears to be that additional works have been paid from other budgets. Although these works appear to form part of the contract, there has been no architect's instruction.
Totals				583	565	713	555		
Total Percentage					97%		78%		

* 2005/2006 audits carried forward into 2006/2007
 Report selected by committee

INTERNAL AUDIT

QUALITY TARGETS/PERFORMANCE INDICATORS – SIX MONTHS ENDED 30 SEPTEMBER 2006

Quality Targets/PI's (e.g. Response Time)	% Target	% Achieved 2006/2007	% Achieved 2005/2006	% Achieved 2004/2005	% Achieved 2003/2004	% Achieved 2002/2003
Audits completed within planned time	95	95	95	95	98	90
Spending within budget	100	100	100	100	100	100
Productivity rate	65	EST 65	74.2	70.1	70.4	66.5
Audit plan achievement	90	EST 90	96.2	95.1	93.6	68
Report issued within 10 working days of exit meeting	80	88	92	94	90	80
Recommendations accepted/ implemented or agreed	95	97	98	98	97	97
Returned customer questionnaires to show satisfaction	95	100	100	100	98	98
Overall perception of quality of service from Council wide Internal Audit survey	95	-	-	-	-	99

Note

1. The service now participates in the CIPFA national benchmarking club which enables comparison specifically with all similar type authorities (unitaries metropolitan districts).

For Information

Recommendations confirmed as actually implemented at next audit visit	95	78	74	73	73	76
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This target is a directorate manager's responsibility but is included for information. Action is being taken by internal audit to improve achievement level.