

Audit Committee – 29th June 2010

Report of the Treasurer

Internal Audit Services Annual Report 2009/2010

Purpose of the Report

1. To give Members an overview of the performance of Dudley Audit Services in the year to 31st March 2010, and also to inform members of the Head of Audit Services' opinion on the effectiveness of Dudley MBC's system of internal control.

Background

2. Performance Measured Against the Strategic Plan
- 2.1 2009/10 was the third year of the four-year audit strategic plan. Staffing turnover was higher than usual but we are still able to report that 95% of the planned work had been completed by the end of the year (compared with 99% in 2008/09). The following statistics give a broad indication of the extent of the work undertaken in 2009/10 :-
 - Internal Audit reviewed 195 areas of activity. These are itemised in Appendix A.
 - 1624 recommendations were made, the majority of which had been discussed and agreed with management by the year-end. 793 of these were classified as breach or high. A summary of the number of recommendations by Directorate is contained in Appendix B. This shows a small decrease in the total number of recommendations made compared to 2008/09 when 1657 recommendations were made. There was also a decrease in the number of high and unimplemented recommendations, although there was a small increase on the number of breach recommendations.
 - Eight special investigations into irregularities were undertaken.
 - Nine honorary audits were carried out.
 - Carried out the Financial Management Standard reassessments of Secondary Schools.

- We have continued to develop our input to value for money audits and identified approximately £570,000 in efficiency savings during the year. Of this £140,000 was cashable. The savings were identified in a range of reports mostly dealing with procurement issues. The development of this additional service offering has demonstrated a new aspect to our service just at a time when service & funding pressures mount against a background of transformation taking more prominence.
- 2.2 Reports on individual audits are produced for relevant directorate managers. The reports are discussed and agreed with them. In addition, a management letter has been produced for each Director summarising audit findings during 2009/10 in their directorate. To give Members a more detailed insight into the issues raised by Internal Audit the rolling programme of reports on each directorate is being continued, and the first of these will be presented to this meeting of the Committee.
- 2.3 The outturn for 2009/10 against service targets is summarised in Appendix C. There was improvement in most areas.
3. Performance Measured Against Customer Expectation
- 3.1 To obtain feedback about the quality of work, post-audit questionnaires are issued to auditees after each audit. Auditees were asked to respond to questions relating to the pre-audit arrangements, the audit visit and the report / post audit arrangements. In addition to the detailed questions, auditees were offered the opportunity to respond to one question indicating whether they found the audit satisfactory overall. For all questionnaires returned the auditee had responded yes to this question, assessing the audit as satisfactory.
- 3.2 59 questionnaires were returned in 2009/10. This represents a response rate of about 57%, as compared with 62% in 2008/09.
- 3.3 For 90% of the questionnaires received the overall score was good to excellent. The remaining 10% were satisfactory to good with no questionnaires scoring poor to satisfactory. The results are shown in Appendices D and E.
4. Annual assessment of Internal Audit
- 4.1 The Accounts and Audit Regulations 2006 have introduced the requirement for an annual review of the effectiveness of the system of internal audit. The review is detailed in a separate report to the Audit Committee. The conclusion reached is that the system of internal audit is effective.
5. Annual Governance Statement
- 5.1 A separate report has been submitted to Audit Committee on the 2009/10 Annual Governance Statement. I am pleased to report that the Statement does not identify any significant weaknesses in governance. In line with CIPFA recommended good practice, the opinion of the Head of Audit Services on the system of internal control and risk management is attached as Appendix F.

6. Fraud

6.1 We have continued to deliver Fraud Awareness Seminars during the year and also reviewed the Anti Fraud & Corruption Strategy which, led to the Standards Committee approving minor amendments in April. We also submitted the second Fraud Report to the Audit Committee in April, which dealt with prevention and detection of fraud but did not identify any significant fraud.

7. Training

7.1 We run two seminars on ; "Fraud Awareness" and "An Introduction to Audit & Control". During 2009/10 these seminars were delivered to over 200 employees and to date over 900 employees have attended.

7.2 We had already developed an online course to raise awareness of Financial Regulations and we have now launched a course on fraud awareness. We aim to develop further governance courses.

7.3. A number of workshops / briefings are provided to school staff and governors.

Finance

8. There are no direct financial implications in this report.

Law

9. The Council is required under Section 151 of the Local Government Act 1972 to appoint an officer to be responsible for its financial affairs.

10. The Accounts and Audit Regulations 2006 require the Council to have 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.

Equality Impact

11. This report does not raise any equal opportunities issues.

12. The work of Internal Audit helps to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the work carried out.

Recommendations

13. That the Committee accept this report on the performance of Internal Audit Services in 2009/10.



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Iain Newman
Treasurer

Contact Officer: Les Bradshaw (ext. 4853)

PLANNED AUDITS CARRIED OUT DURING 2009/10**Adult Community & Housing Services**

Asset Management Strategy	Brierley Hill Locality
Stores/materials purchase	Archives Service
Housing Repairs	Housebound Service
Contract Management/Control	Stourbridge District Office
Adult Education (Central Review)	Halesowen District Office
Castle & Priory Neighbourhood Learning Centre	Sedgley District Office
Directorate Perf/Risk Management	Brierley Hill District Office
SWIFT (Social Services)	Roseville Day Centre
Application Reviews	Dudley District Office
Rent Collection & Setting Review	Hospitals Assessment & Care Management
Supporting People Grant Claim	OT Staff Assessment
Property Sales	Commissioning
Amblecote Centre	OT Admin
Lower Gornal Centre	Transforming Social Care
Stourbridge Centre	Application Reviews
Shared Lives	Abacus (Managed audit)
Transport – Internal	Personnel & Payroll Procedures
Woodside Day Centre	Home Assistance Scheme including procurement
Glebelands	Asylum Seekers

Chief Executive

Application Reviews	Corporate Data Quality
Emergency Planning	Sustainability Agenda
Directorate Payroll & Personnel Procedures	Project Management
Building Security/Staff Security	Follow Up
Directorate Performance/Risk Management	Value for money
Partnership Governance	Corporate Grants
Annual Governance Statement	Corporate Governance
Use of Resources	Ethics- Staff & Members

Children's Services

Children with Disabilities	Arts Service
Halesowen District Office	Stourbridge Area Youth
Brierley Hill District Office	Brierley Hill Area Youth
Dudley District Office	EMAS Team
FAST	North Area Youth
Home to School Transport	Children's Trust
Assessment North Team 1 (Dudley)	Centris
Sycamore Centre	Admissions
Assessment North Team 2 (Dudley)	Catering - Finance
Care Management North Team 3 (Dudley)	Catering - Training & Quality Assurance
Assessment South Team 1 (Halesowen)	Civic Catering

Care Management South Team 1
(Halesowen)
Care Management North Team 1 (Dudley)
Care Management North Team 2 (Dudley)
Assessment South Team 2 (Brierley Hill)
Care Management South Team 2 (Brierley Hill)
Out of Borough Placements
SEN Team
Statemented Pupil Support
Childrens Services ICT applications -
Redhill booking system
Nurseries
Dudley Performing Arts

Catering - Personnel
Gigmill Kitchen
Caslon Kitchen
Directorate Personnel / Payroll
Union Duties
Dudley Grid for Learning
Bishop Milner Kitchen
The Wordsley Kitchen
Lutley Kitchen
Castle High Kitchen
Kitchens
School Contract (non-DPC) Audits
Netherton Arts Centre

Finance

Bank reconciliation
Directorate Performance/Risk Management
Control Accounts Review
Treasury Review
Financial Regulations/FPM
Leasing
VAT
Budget preparation/monitoring
Free School Meals (Benefits Section)
Housing Benefits
Directorate Procurement
Dudley Council Plus
CAATS
Radius Icon
Agresso all modules
Debtors system

End User Computing
Change Management
Service Delivery Model
Information Governance
Payroll Review
Council tax
Business Rates Review
Revenues Exchequer Team Review
Creditors System Review
Print Services
Electronic Records Management
Electronic Mail and Internet Access
Virus Protection
Internal Network Infrastructure
Third Party Management

Honorary

Jigsaw Youth Theatre
Stevens Trust
Dudley Arts Council
Earls High Trust
Astley Burf Trust
Dudley Council Voluntary Services

Coseley School Sports Coordinator
Programme
Ellowes Hall School Sports Coordinator
Programme
Windsor School Sports Coordinator
Programme

Law & Property

Administrative Support Services and Human Resources Management
Asset Management Plan
Market
RIPA
Democratic Services

Debt recovery
Contract Control (all contract areas)
Directorate Procurement
Application Review
Partnering Arrangements

Schools

Dormston School
High Arcal Foundation School
Pedmore Technology College and Community School
Crestwood School
Ridgewood School
Summerhill School
Holly Hall Foundation School
Oldswinford Hospital School
Coseley School and Sports College
Earls School
Kingswinford Foundation School

Thorns School & Community College
Bishop Milner R.C. School
Hillcrest School
Leasowes School
Castle High School
The Wordsley School
Redhill School
Ellowes Hall Foundation School
Pensnett High School
Annual Assessment - Primary Phase 1
External Assessment - Secondary Schools
Windsor Foundation School

Urban Environment

Central Arts & Activities Management
Floral Decorations
Broadfield House
Gornal Wood Crematorium & Cemeteries
Stourbridge Crematorium & Cemeteries
Dudley Town Hall
Cornbow Centre
Stourbridge Town Hall
Brierley Hill Civic Hall
Planning Policy
Planning Enforcement & TPO's
Section 106 Administration
Application Review

Future Skills - Dudley
Structures - all contract stages
Economic Regeneration
Highways Partnering Contracts
Administration
Landscapes (all contract stages)
School Crossing Patrols
Arboriculture
Operation of Stores/Purchase of supplies
Business Support inc purchasing and central personnel functions
Directorate Procurement

APPENDIX B**TOTAL SUMMARY OF PLANNED WORK COMPLETED FOR EACH DIRECTORATE**
2009/10

Department	No. of audits	Number of Recommendations	Number of Breach	Number of High Priority Findings	Number of unimplemented recommendations
Adult, Community and Housing Services	35	309	126	12	33
Chief Executives	14	80	19	9	8
Children's Services	45	441	240	6	52
Finance	31	104	15	16	11
Honorary Audits	9	0	0	0	0
Law and Property	11	56	27	7	7
Schools	23	485	216	13	49
Urban Environment	23	149	80	7	9
GRAND TOTALS	195	1624	723	70	169
2008/09	199	1657	696	114	226
2007/08	189	1803	340	114	193
2006/07	193	1366	319	207	224
2005/06	181	1793	484	323	327
2004/05	181	2565	606	417	247

AUDIT SERVICES - SERVICE PLAN
OUTTURN FOR 2009/10

DEPARTMENTAL PI	TARGET 2009/10	ACHIEVEMENT OF TARGET AND COMMENT ON PERFORMANCE
<u>Frequency and level of audit</u> Percentage of audit plan completed Number of audits completed*	100% 198	95% [99%] 195 [203]
<u>Reporting of audit results</u> Issue draft reports within 7 weeks of the audit starting Issue of final reports within 1 week of draft report being agreed	100% 100%	96% [46%] 98% [89%]
<u>Report to Audit Committee</u> No. of meetings of the Committee held	4 meetings	4 meetings held
<u>Customer Satisfaction</u> Post-audit customer survey respondents scoring Satisfactory or higher regarding overall level of service	100%	100%
<u>Cost of Service</u> Overall placing in CIPFA benchmarking	Achieve median placing	Cost per auditor – 21% [21%] below median Audit cost per £m turnover – 24% [31%] below median

Figures in brackets are for 2008/09

APPENDIX D**SUMMARY OF AVERAGE SCORES FOR 2009/10 ON RETURNED POST-AUDIT QUESTIONNAIRES**

1. Pre-Audit Arrangements	2009/10 Average Score	2008/09 Average Score
Usefulness of audit brochure	3.3	3.2
Booking of audit	3.5	3.3
Aim of audit explained	3.5	3.4
Opportunity to influence scope of audit	3.2	3.3
Adequate notice given	3.5	3.4

2. Audit visit	2009/10 Average Score	2008/09 Average Score
Conduct of auditors	3.8	3.9
Communication skills	3.7	3.7
Helpfulness and approachability	3.8	3.8
Continuous feedback of findings	3.7	3.6

3. Report post audit	2009/10 Average Score	2008/09 Average Score
Draft report discussion	3.7	3.5
Usefulness of Recommendations	3.2	3.3
Advice on implementing recommendations	3.3	3.3
Style and clarity of report	3.5	3.4
Timeliness of report	3.4	3.3

2009/10 AUDITS
SUMMARY OF SATISFACTION RATINGS
FOR RETURNED POST-AUDIT QUESTIONNAIRES

	2009/10 (%)	2008/09 (%)	2007/08 (%)
Received	54	62	59
Good to excellent	90	89	89
Satisfactory to Good	10	11	11
Poor to Satisfactory	0	0	0

APPENDIX F

OPINION OF THE HEAD OF AUDIT SERVICES ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT AT DUDLEY MBC IN THE YEAR ENDED 31ST MARCH 2009

In my opinion there are no significant deficiencies in the system of risk management and internal control at Dudley MBC of such fundamental significance that they should be reported in the statutory Annual Governance Statement required by the Accounts and Audit Regulations.

This opinion is based principally on the work carried out by the Audit Services Division during 2008/2009. It must be acknowledged, however, that it is not possible to review all aspects of risk management and internal control within a single year.

Accordingly, in forming this opinion, it has also been necessary to take into account the results of work by:

- Internal Audit in previous years
- External Audit
- External inspectorates
- The Audit Commission in their Comprehensive Area Assessment (CAA)
- Audit, Standard and Select Committees

Les Bradshaw
Head of Audit Services

Date: 29th June 2010