

16 October 2012

Members  
Dudley Metropolitan Borough Council  
Council House,  
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Dear Member

## **Dudley Metropolitan Borough Council Annual Audit Letter 2011/12**

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Dudley Metropolitan Borough Council.

### **Financial statements**

On 20 September I presented my Annual Governance Report (AGR) to the Audit and Standards Committee outlining the findings of my audit of the Council's 2011/12 financial statements. I will not replicate those findings in this letter.

Following the Audit and Standards Committee on 26 September I:

- issued an unqualified opinion on the Council's 2011/12 financial statements included in the Council's Statement of Accounts;
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

In my AGR to the Audit & Standards Committee I identified two weaknesses in internal control and made recommendations as to how they should be addressed. A completed action plan in respect of these recommendations is attached at Appendix 1 to this letter.

I certified completion of the audit on 5 October after I issued my assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

### **Closing remarks**

I have discussed and agreed this letter with the Chief Executive and Treasurer. While this has been another challenging year for the Council I wish to thank the finance staff for their positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Audit and Standards Committee for their support and co-operation during the audit.

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Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Corcoran', is centered on the page. The signature is written in a cursive style with a period at the end.

Tony Corcoran  
*District Auditor*

# Appendix 1 – Action plan

## Internal control weaknesses and recommendations

### Recommendation 1

<b>Description of weakness</b>	Internal audit testing found that there were weaknesses in the Council's controls for ensuring that there is appropriate authorisation of: <ul style="list-style-type: none"><li>• changes to the payroll; and</li><li>• timesheets.</li></ul>
<b>Potential impact</b>	This prevented me from placing reliance on your controls in this area and I had to perform further testing as a result. Management have informed me that HR First was established to help address issues such as the one identified by internal audit's testing and that they expect authorisation processes to be far more robust in future
<b>Recommendation</b>	Management should continue to test whether changes to the payroll and timesheets are appropriately authorised and take remedial action if any errors are found.
<b>Responsibility</b>	Payroll Manager
<b>Priority</b>	High
<b>Date</b>	September 2013
<b>Comments</b>	Advances in work processes have lead to far less emphasis being placed on the authorised signatory sheets and most authorisation is now done by more robust electronic methods such as use of the "Yourself" facility on the Council's HR and payroll system PSE (which has in-built checks to ensure payments are properly authorised). In due course the need for authorised signatory sheets will be eliminated all together. Work is on-going with Internal Audit to achieve this outcome.

## Recommendation 2

<b>Description of weakness</b>	The Council has an IT disaster recovery plan in place. However, the Council has not undertaken tests involving restoration of key application systems, such as Agresso
<b>Potential impact</b>	Undertaking regular restoration tests for key application systems will provide assurance on the robustness of the backup and disaster recovery arrangements
<b>Recommendation</b>	Management should introduce a programme of regular restoration tests for key application systems
<b>Responsibility</b>	Head of ICT Services
<b>Priority</b>	High
<b>Date</b>	September 2013
<b>Comments</b>	The Management Response to the Audit Recommendation was that a formal test of current Business Continuity Plans will be conducted, taking into account the new SAN infrastructure and backup processes. These tests have yet to be scheduled into a rolling programme with the Council's ICT DR Supplier (Sunguard) but in practice backup / restoration of application systems are fairly routine. In January 2012 the Revenues server crashed and the third party DR contract was invoked – this involved a suitable server being transported to Dudley's data centre, built, configured and the live database restored – this was completed successfully with live service operation being provided from the provided alternative DR server. Development of a programme of restoration tests for key applications has been escalated by the HoICTS with the ICT Business Continuity and Risk Manager.