

---

**Audit Committee – 29<sup>th</sup> June 2006**

**Report of the Director of Finance**

**Internal Audit Services Annual Report 2005/2006**

**Purpose of the Report**

1. To give Members an overview of the performance of Dudley Audit Services in the year to 31<sup>st</sup> March 2006, 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

2005/06 was the second year of the four-year audit strategic plan. Due to the long term sickness of two members of staff and staff vacancies, the staffing establishment of the Division (sixteen) was reduced by the equivalent of one full post for the year. I am pleased to report that, despite the shortfall in available resources, 93% of the planned work had been completed by the end of the year (compared with 94% in 2004/05). The following statistics give a broad indication of the extent of the work undertaken in 2005/06:

- Internal Audit reviewed 181 areas of activity. These are itemised in Appendix A on pages 8 to 13.
- 199 reports were issued.
- 1793 recommendations were made, the majority of which had been discussed and agreed with management by the year-end. 807 of these were classified as breach or high. A summary of the number of recommendations by Directorate is contained in Table 1 on page 4. These results are an improvement on 2004/05 when 2565 recommendations were made of which 1023 were classified as breach or high.
- Included in audits completed were 62 establishment audits, including Schools, Social Services and Urban Environment establishments.
- Eight special investigations into irregularities were undertaken.
- Nine honorary audits were carried out.

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 2005/06 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.

3. Performance Measured Against the Service Plan

The outturn for 2005/06 is summarised in Table 2 on page 5.

4. Performance Measured Against Customer Expectation

4.1. To obtain feedback about the quality of work, post-audit questionnaires are issued to auditees after each audit. Auditees were asked to respond to fourteen 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.

4.2. 48 questionnaires were returned in 2005/06. This represents a response rate of about 43%, as compared with 27% in 2004/05. To quantify the results numeric values were assigned to each question as follows:-

Excellent	4
Good	3
Satisfactory	2
Poor	1

4.3. Applying this scoring basis to each of the returns, the average score was computed for each of the questions. The results are shown in Table 3 on page 6.

4.4. For 71% of the questionnaires received the overall score was good to excellent. The remaining 29% were satisfactory to good with no questionnaires scoring poor to satisfactory. The results are summarised in Table 4 on page 7.

5. Annual assessment of Internal Audit

The Accounts and Audit Regulations 2006 have introduced the requirement for an annual review of the effectiveness of it's system of internal audit. The Audit Commission are currently carrying out a review on Audit Services, which should meet the statutory requirement for 2006/07.

6. Statement on Internal Control

A separate report has been submitted to the Audit Committee on the 2005/06 Statement on Internal Control. I am pleased to report that the Statement on Internal Control does not include any significant weaknesses in internal control.

7. Charter Mark

Charter Mark is the UK Government's national standard for excellence in customer service. I am pleased to report that Audit Services jointly with Purchasing Services and Financial Services have recently been accredited as meeting the Charter Mark standard. Benefits and ICT Services are existing Charter Mark holders.

**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 2005/06.



.....  
**Mike Williams**  
**Director of Finance**

**Contact Officer: Les Bradshaw (ext. 4853)**

**TABLE 1**

**TOTAL SUMMARY OF PLANNED WORK COMPLETED FOR EACH DIRECTORATE  
2005/06**

<b>Department</b>	<b>No. of audits</b>	<b>Number of Recommendations</b>	<b>Number of Breach</b>	<b>Number of High Priority Findings</b>	<b>Number of unimplemented recommendations</b>
Chief Executives	6	32	2	13	9
Education	23	382	80	105	59
External Contracts	1	72	0	23	0
Finance	26	74	0	2	0
Honorary Audits	9	12	1	5	1
Housing	16	55	12	8	5
Law and Property	14	57	5	6	2
Schools	39	659	272	92	176
Social Services	24	311	90	52	58
Urban Environment	23	139	22	17	17
<b>GRAND TOTALS</b>	<b>181</b>	<b>1793</b>	<b>484</b>	<b>323</b>	<b>327</b>
<b>2004/05</b>	<b>181</b>	<b>2565</b>	<b>606</b>	<b>417</b>	<b>247</b>

**AUDIT SERVICES - SERVICE PLAN  
OUTTURN FOR 2005/06**

<b>DEPARTMENTAL PI</b>	<b>TARGET 2005/06</b>	<b>ACHIEVEMENT OF TARGET AND COMMENT ON PERFORMANCE</b>
<u>Frequency and level of audit</u> Percentage of audit plan completed Number of audits completed*	100% 180	93% 199
<u>Reporting of audit results</u> Issue draft reports within 3 weeks of audit being completed Issue of final reports within 1 week of discussion of draft report with service manager	100% 100%	99% 100%
<u>Report to Audit Committee</u> No. of meetings of the Committee held	3 meetings	4 meetings held in 2005/06
<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 – 22.4% below median Audit cost per £m turnover – 17.3% below median

TABLE 3

**SUMMARY OF AVERAGE SCORES FOR 2005/06 ON RETURNED POST-AUDIT QUESTIONNAIRES**

<b>1. Pre-Audit Arrangements</b>	<b>2005/06 Average Score</b>	<b>2004/05 Average Score</b>
Usefulness of audit brochure	2.9	2.8
Booking of audit	3.1	3.0
Aim of audit explained	3.3	3.0
Opportunity to influence scope of audit	3.1	2.8
Adequate notice given	3.1	3.0
<b>2. Audit visit</b>	<b>2005/06 Average Score</b>	<b>2004/05 Average Score</b>
Conduct of auditors	3.6	3.6
Communication skills	3.6	3.5
Helpfulness and approachability	3.7	3.5
Continuous feedback of findings	3.5	3.0
<b>3. Report post audit</b>	<b>2005/06 Average Score</b>	<b>2004/05 Average Score</b>
Draft report discussion	3.4	3.1
Usefulness of Recommendations	3.0	2.8
Advice on implementing recommendations	3.1	2.8
Style and clarity of report	3.2	3.2
Timeliness of report	3.1	2.8

**2005/06 AUDITS**  
**SUMMARY OF SATISFACTION RATINGS**  
**FOR RETURNED POST-AUDIT QUESTIONNAIRES**

	<b>2005/2006 (%)</b>	<b>2004/2005 (%)</b>
Received	43	27
Good to excellent	71	55
Satisfactory to Good	29	41
Poor to Satisfactory	0	4
Average Score	79	77

## PLANNED AUDITS CARRIED OUT DURING 2005/06

**Chief Executive**

Performance Management  
Risk Management  
Administrative Support  
Corporate Risk Management  
Corporate Governance  
Building Security/Staff Security

**Education**

Psychology  
Welfare Team  
Out of Borough Placements  
Pre School Special Needs Service  
Physical and Sensory Service  
Home to School Transport  
Youth & Community Service Coordination  
Castle & Priory Neighbourhood Learning Centre  
Halesowen Area Youth  
Dudley Performing Arts  
Risk Management  
Departmental Purchasing  
Brierley Hill Library  
Archives Service  
Housebound Service  
North Area Libraries  
Summerhill & Colley Lane PFI  
School Contract (non-DPC) Audits  
Catering Central Office  
Crystal Leisure Centre  
Kitchens  
Personnel  
EMAS Team



## PLANNED AUDITS CARRIED OUT DURING 2005/06

**Schools**

Oldswinford  
Ashwood Park  
Quarry Bank  
Woodsetton Special School  
Caslon  
Russells Hall  
Wallbrook  
Brierley Hill  
Greenfield  
Hasbury  
Blowers Green  
High Arcal Foundation School  
Mount Pleasant  
Fairhaven  
Redhall  
Windsor Foundation School  
Brook  
Earls School  
Olive Hill  
St Josephs' Dudley  
Straits  
Pedmore Technology College  
Old Park Special School  
Leasowes School  
Leasowes Sports Centre  
Ellowes Hall Foundation School  
Dormston School  
Crestwood Park  
Dormston Centre  
St Edmond & St John  
Castle High School  
Netherton Park Family Centre  
The Wordsley School  
The Wordsley School Adult and Community Education  
Maidensbridge  
Oldswinford Hospital School  
Redhill School  
Thorns School & Community College  
Thorns Sports Centre

## PLANNED AUDITS CARRIED OUT DURING 2005/06

**External Contracts**

Black Country Connexions

**Finance**

Capital accounting

VAT

Bank reconciliation

Control Accounts Review

Treasury Review

Finance Risk Management

Leasing

Housing Benefits

Creditors System Review

Debtors system

Grants to outside bodies

End User Computing

CFS Implementation

SX3 Implementation

CFS Conversion Routine

Compliance with External Requirements - Data Protection

Telephones

Virus Protection

Payroll

Third Party Management

SX3 Revenues & Benefits system

Electronic Mail

West Midlands debt

Payroll Review

Council tax

Business Rates Review

**Honorary**

Astley Burf Trust

Stevens Trust

Dudley Council Voluntary Services

Earls High Trust

Jigsaw Youth Theatre

Windsor Schools Sports Programme

Dudley Arts Council

Coseley School Sports Coordinator Programme

Ellowes Hall School Sports Coordinator Programme

## PLANNED AUDITS CARRIED OUT DURING 2005/06

**Housing**

Housing Stores (Impact)  
Post contract procedures  
Appointment of Consultants  
Building Services operational management  
Property Surveys  
Contract Management/Control  
Technical Procedures Manual  
Pre-Contract Subcontractor  
First Housing  
Rent Collection & setting Review  
Property Sales  
Performance Management  
Charges from other Directorates  
Housing Risk Management  
Home Assistance Scheme including procurement  
Asylum Seekers

**Law & Property**

Law & Property Risk Management  
Administrative Support Services and Human Resources Management  
Markets  
Conveyancing, lease renewals etc  
Licensing including vehicle inspections  
Licencing ICT system (Swift)  
Debt recovery  
Structures - Post Contract  
Calculix  
Opening of tenders received departmentally  
Electrical/mechanical - Pre-Contract  
Maintenance Solution - Pre-Contract  
Major works - Contract control  
Structures - contract control

## PLANNED AUDITS CARRIED OUT DURING 2005/06

**Social Services**

Luncheon Clubs

Debt Collection

Court of Protection

Rydal

Dudley South Assessment / Care Management Halesowen

Assessment Team South 1 (Halesowen)

Care Management South Team 1

Family Support Service

Adoptions

Purchasing - External Placements (OOB)

Risk Management

Inventories

Amblecote Centre

Stourbridge District Office

Purchasing - Stourbridge

Hill House Day Centre

Home Care - Brierley Hill

Russell Court

Rehabilitation at Home

Sedgley District Office

Purchasing - Sedgley

Poplars Day Centre

New Bradley Hall

Disability Service (Aids, Adaptations and Occupational Therapy)

## PLANNED AUDITS CARRIED OUT DURING 2005/06

**Urban Environment**

Catering Bars  
Broadfield House  
Stourbridge Town Hall  
Dudley Town Hall  
Brierley Hill Civic Hall  
Cornbow Centre  
Gornal Wood Crematorium & Cemeteries  
Stourbridge Crematorium & Cemeteries  
Public Protection (MVM & replacement)  
Health and Safety Enforcement  
Geotechnical/Env Works - Post contract  
Prince's Trust  
Landscapes - Pre-Contract  
Future Skills - Dudley  
Lye Business Centre  
Leasowes Restoration  
Structures - Contract Control  
Contract Control - Highways Maintenance  
Street Cleansing  
Maintenance of vehicles  
Performance Management  
General Support Services  
D U E Risk Management