

Audit Committee – 29th June 2009

Report of the Interim Director of Finance

Internal Audit Services Annual Report 2008/2009

Purpose of the Report

1. To give Members an overview of the performance of Dudley Audit Services in the year to 31st March 2009, and also to inform members of the Head of Audit Services' opinion on the effectiveness of Dudley MBC's system of internal audit.

Background

2. Performance Measured Against the Strategic Plan
 - 2.1 2008/09 was the second year of the four-year audit strategic plan. Staffing was more stable than the previous year and I am delighted to report that 99% of the planned work had been completed by the end of the year (compared with 92% in 2007/08). The following statistics give a broad indication of the extent of the work undertaken in 2008/09 :-
 - Internal Audit reviewed 199 areas of activity. These are itemised in Appendix A.
 - 1657 recommendations were made, the majority of which had been discussed and agreed with management by the year-end. 810 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 decrease in the total number of recommendations made compared to 2007/08 when 1803 recommendations were made but an increase in breach and high compared to 454 in 2007/08.
 - Included in audits completed were 58 establishment audits, including Schools, Children's Services, DACHS and Urban Environment establishments.
 - Ten special investigations into irregularities were undertaken.
 - Eight honorary audits were carried out.
 - Carried out a range of Financial Management self-assessments on the second phase of Primary / Special Schools.

- We have started to develop our input to value for money audits and identified £80,000 in savings during the year.
- 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 2008/09 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 2008/09 against service targets is summarised in Appendix C. There was improvement in all 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 80 questionnaires were returned in 2008/09. This represents a response rate of about 62%, as compared with 59% in 2007/08.
- 3.3 For 89% of the questionnaires received the overall score was good to excellent. The remaining 11% 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 2008/09 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 first 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 Apart from the Fraud Awareness Seminars we have also introduced another seminar for managers entitled "An Introduction to Audit & Control". During 2008/09 this was delivered to over 300 managers and will targeted at Directorates in 2009/10.
- 7.2 We developed an online course to raise awareness of Financial Regulations and this went live in May. We are currently evaluating further on line courses for fraud and audit and control.

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 2008/09.



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Bill Baker
Interim Director of Finance

Contact Officer: Les Bradshaw (ext. 4853)

APPENDIX A

PLANNED AUDITS CARRIED OUT DURING 2008/09

Adult Community & Housing Services

Partnership Contract Review	Housing Repairs
Asbestos Unit	Party Wall
Pre -Contract review	Business Support
Brierley Hill Neighbourhood Learning	Car Allowances
Petty Cash	Directorate Procurement
Grants to Voluntary Bodies	Rent Collection & setting
Lettings policies/procedures	Choice Based Letting Application
Supporting People Grant Claim	Voids
PULSE Team	Transport - External
Adult Protection	Dudley Wood NLC
Library Modernisation	Halesowen Locality
Russell Court	Shenstone
START	Peripatetic Team
New Bradley Hall	Amblecote House
New Swinford Hall	Wallbrook
Tiled House	Direct Payments
Homecare – Dudley	Meals on Wheels
Warden Schemes & Sheltered Housing	Application Reviews
Legacies	Income Collection
Homecare Debt Collection	Residential Debt Collection
Abacus (Managed audit)	Race Equality & Communications Service
Houses in Multiple Occupation	

Chief Executive

Grants & Contributions to other bodies	Application Reviews
Statement on Internal Control	Use of Resources
Personnel Operations	Central Safety
Directorate Procurement	Community Safety
Local Area Agreements	Partnership Governance
Corporate Data Quality	External Funding
Value for money	Corporate Governance
Project Management	

Children's Services

Sixteen Plus & Leaving Care Team	Flipside
Psychology	Specialist Early Years Service
Impairment & Medical Needs Service	Counselling
Autism Outreach Team	Visually Impairment Service
Hearing Impairment Service	Language Units
Car Allowances	Performance / Risk Management
Schools Financial Procedures Manual	Halesowen Area Youth
School Governance Team	Extended Schools and Children's Centres
Central Area Youth	Surestart Grant
Youth Opportunities Fund	Commissioning
Astley Burf	Long Term sick and maternity scheme
Purchasing Section	Student Support (Awards)
Kitchens	School Contract (non-DPC) Audits
Building Schools for the future	

External Contracts

Black Country Connexions

Finance

Control accounts	Bank Reconciliation Review
Financial Management Regime [Including Financial Regulations review]	Capital Accounting Review
Treasury	Advice centre
Housing Benefits Review	CAATS
Dudley Council Plus	Application Review
Corporate Risk Management	Debtors System Review
Creditors system	Grants to outside bodies
Construction industry tax scheme	Radius Icon
SX3 Revenues & Benefits system	Information Security Management
Systems Administration	Information Systems Strategy
Remote Working Facilities	Unix
IT Governance	Payroll system incl. car allowances & expenses
Windows	Revenues Exchequer Team
Procurement including trading account	Council Tax Review
Business rates	
Financial Regulations for Schools	

Honorary

Stevens Trust	Earls High Trust
Jigsaw Youth Theatre	Dudley Council Voluntary Services
Astley Burf Trust	Windsor School Sports Coordinator Programme
Coseley School Sports Coordinator Programme	
Elloes Hall School Sports Coordinator Programme	

Law & Property

Law & Property Risk and Performance Management	
Land Charges	Directorate Payroll & Personnel Procedures
Licensing including vehicle inspections	Conveyancing, lease renewals etc
RIPA	Pre-Contract - all contract areas
Application Review	Crown centre

Schools

Training & Assistance	Dawley Brook
Hawbush	Quarry Bank
Manor Way	St Josephs' Stourbridge
Bromley	Fairhaven
St Mary's' C of E	Rosewood Special School
Amblecote	Dingle
Our Lady & St Kenelm	Woodsetton Special School
Bramford	Halesbury Special School
Church of the Ascension	Hasbury
Rufford	Colley Lane
Pedmore C of E	Wallbrook
St Josephs' Dudley	Foxyards
Tenterfields	Blanford Mere
Hurst Hill	St Chad's
Brierley Hill	Crestwood Park
Halesowen C of E	The Ridge
Lapal	Mount Pleasant

Netherton Park Children's Centre
Brook
Cradley C of E
Maidensbridge
St Marks' C of E
St Edmund & St John
Pre-Assessment Review

Straits
Caslon
Thorns
St Marys'RC
Annual Assessment - Secondary
External Assessment - Primary Phase 2

Urban Environment

Parks Management
Trading Standards
Application Review
Civil Parking Enforcement
Assessment of safety schemes (selection and review of effectiveness)
Street Cleansing
Grounds Maintenance DSO Operations incl. purchase, maintenance and disposal of plant
Fuel
Street Furniture (non-illuminated) provision - including signs etc
Directorate Performance/Risk Management
Grants to Voluntary Bodies

Crystal Leisure Centre
Directorate Personnel & Payroll Procedures
Economic Regeneration
Highways Partnering Contracts Administration
Highway Drainage
Business Support

APPENDIX B**TOTAL SUMMARY OF PLANNED WORK COMPLETED FOR EACH DIRECTORATE**
2008/09

Department	No. of audits	Number of Recommendations	Number of Breach	Number of High Priority Findings	Number of unimplemented recommendations
Adult, Community and Housing Services	42	303	96	37	64
Chief Executives	15	87	29	10	3
Children's Services	30	372	147	14	51
External Contracts	1	49	4	27	14
Finance	30	59	7	11	1
Honorary Audits	8	0	0	0	0
Law and Property	9	33	4	5	1
Schools	47	688	393	6	84
Urban Environment	17	66	16	4	8
GRAND TOTALS	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

APPENDIX C**AUDIT SERVICES - SERVICE PLAN**
OUTTURN FOR 2008/09

<i>DEPARTMENTAL PI</i>	<i>TARGET 2008/09</i>	<i>ACHIEVEMENT OF TARGET AND COMMENT ON PERFORMANCE</i>
<i><u>Frequency and level of audit</u></i> <i>Percentage of audit plan completed</i> <i>Number of audits completed*</i>	 100% 204	 99% (92%) 203 (212)
<i><u>Reporting of audit results</u></i> <i>Issue draft reports within 8 weeks of the audit starting</i> <i>Issue of final reports within 6 weeks of issue of draft report</i>	 100% 100%	 97% (92%) 70% (68%)
<i><u>Report to Audit Committee</u></i> <i>No. of meetings of the Committee held</i>	 4 meetings	 4 meetings held
<i><u>Customer Satisfaction</u></i> <i>Post-audit customer survey respondents scoring Satisfactory or higher regarding overall level of service</i>	 100%	 100%
<i><u>Cost of Service</u></i> <i>Overall placing in CIPFA benchmarking</i>	 Achieve median placing	 Cost per auditor – 21% below median Audit cost per £m turnover – 31% below median

Figures in brackets are for 2007/08

APPENDIX D

SUMMARY OF AVERAGE SCORES FOR 2008/09 ON RETURNED POST-AUDIT QUESTIONNAIRES

1. Pre-Audit Arrangements	2008/09 Average Score	2007/08 Average Score
Usefulness of audit brochure	3.2	3.1
Booking of audit	3.3	3.4
Aim of audit explained	3.4	3.5
Opportunity to influence scope of audit	3.3	3.3
Adequate notice given	3.4	3.5

2. Audit visit	2008/09 Average Score	2007/08 Average Score
Conduct of auditors	3.9	3.8
Communication skills	3.7	3.7
Helpfulness and approachability	3.8	3.7
Continuous feedback of findings	3.6	3.6

3. Report post audit	2008/09 Average Score	2007/08 Average Score
Draft report discussion	3.5	3.5
Usefulness of Recommendations	3.3	3.3
Advice on implementing recommendations	3.3	3.3
Style and clarity of report	3.4	3.3
Timeliness of report	3.3	3.4

APPENDIX E

2008/09 AUDITS

**SUMMARY OF SATISFACTION RATINGS
FOR RETURNED POST-AUDIT QUESTIONNAIRES**

	2008/09 (%)	2007/08 (%)	2006/07 (%)
Received	62	59	65
Good to excellent	89	89	82
Satisfactory to Good	11	11	18
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 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 Performance Assessment (CPA)
- Audit, Standard and Select Committees

Les Bradshaw
Head of Audit Services

Date: 29th June 2009