

Audit and Standards Committee – 3rd July 2012

Report of the Treasurer

Internal Audit Services Annual Performance Report 2011/2012

Purpose of the Report

1. To give Members an overview of the performance of Dudley Audit Services in the year to 31st March 2012, and also to inform members of the Head of Audit Services' opinion on the effectiveness of Dudley MBC's system of internal control.

Background

Performance Measured Against the Strategic Plan

2. We are able to report that 96% of the planned work had been completed by the end of the year (compared with 93% in 2010/11). The following statistics give a broad indication of the extent of the work undertaken in 2011/12 :-
 - Internal Audit reviewed 192 areas of activity. These are summarised in Appendix A.
 - 2,081 recommendations were made, the overwhelming majority of which had been discussed and agreed with management by the year-end. 1,078 of these were classified as breach or high. A summary of the number of recommendations by Directorate is contained in Appendix B. This shows an increase in the total number of recommendations made compared to 2010/11 when 1839 recommendations were made. However, there was a decrease in the number of high, breach and unimplemented recommendations.
 - There were 20 fraud referrals to Audit Services from members of staff. In addition 29 referrals were received through the fraud hotline which has been in operation since October 2011.
 - Twenty four honorary audits were carried out.
 - Consultancy work was carried out in the Chief Executive's, Children's Services and Corporate Resources Directorates.

- We have continued to develop our input to value for money audits and identified approximately £810,000 in efficiency savings during the year. Of this nearly 25% was directly cashable. The savings were identified in a range of reports mostly dealing with energy related issues. Information provided to the Audit Committee in February has been updated :-
 - a. Improving wash room hand drying facilities £45k
 - b. Reducing water usage in toilets £107k
 - c. Review of mobile phone provision £33k
 - d. Analysis of procurement invoices, commitments and VAT £238k
 - e. VFM Health Checks £95k
 - f. Recovery of energy costs £25k
 - g. Procurement Strategy £229k
 - h. Reduced paperwork for purchase card system £38k

The development of this additional service offering has demonstrated an added value aspect to our service at a time when service & funding pressures mount against a background of transformation taking more prominence. We present details on value for money audit work to appropriate Corporate Groups.

3. Reports on individual audits are produced for relevant Directorate managers. The reports are discussed and agreed with them. In addition, a management letter will be produced and presented to each Director summarising audit findings during 2011/12 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.
4. The outturn for 2011/12 against service targets is summarised in Appendix C.

Performance Measured Against Customer Expectation

5. 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 or better.
6. Eighty nine questionnaires were returned in 2010/11. This represents a response rate of about 57%, compared to 54% for 2010/11.

For 88% of the questionnaires received the overall score was good to excellent. The remaining 12% were satisfactory to good with no questionnaires scoring poor to satisfactory. The results are shown in Appendices D and E.

Annual Assessment of Internal Audit

7. The Accounts and Audit Regulations 2011 require an annual review of the effectiveness of internal audit. The review is detailed in a separate report to the Audit Committee. The conclusion reached is that internal audit is effective.

Annual Governance Statement

8. A separate report has been submitted to Audit & Standards Committee on the 2011/12 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.

Fraud

9. We reviewed the Anti Fraud & Corruption Strategy which led to the Audit Committee approving minor amendments in April. We also submitted the Annual Fraud Report to the Audit Committee in April, which dealt with prevention and detection of fraud.

Training

10. We continue to run two seminars on “Fraud Awareness” and “An Introduction to Audit & Control”. We have already developed online courses to raise awareness of Financial Regulations and Fraud, and launched a new course on “An Introduction to Audit & Control” in April 2012. A number of workshops / briefings are provided to school staff and governors.
11. The table first presented to the September 2011 meeting of the Audit Committee has been updated :-

Training	10/11	11/12	To Date
Introduction to Audit & Control seminar	90	37	624
Fraud Awareness seminar	48	15	428
Fraud Awareness on line course	N/A	165	165
Financial Regulations on line course	N/A	291	291
School FMS Workshop	30	0	366
School Controls Workshop	50	20	120
Schools Bench Marking Workshop	31	40	240
Deputy Head Teacher seminar	10	10	20
Governors FMS Briefing	6	0	153

Finance

12. There are no direct financial implications in this report. Audit Services budget out turn for 2011/12 was £490,000 net of income and the results of the CIPFA Benchmarking Club report indicate our costs are 14% less than the average for similar sized Authorities.

Law

13. The Council is required under Section 151 of the Local Government Act 1972 to appoint an officer to be responsible for its financial affairs.
14. The Accounts and Audit Regulations 2011 require the Council to undertake an adequate and effective 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

15. This report does not raise any equal opportunities issues.
16. 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

17. That the Committee accept this report on the performance of Internal Audit Services in 2011/12.



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Iain Newman
Treasurer

Contact Officer: Les Bradshaw (ext. 4853)

PLANNED AUDITS CARRIED OUT DURING 2011/12

Adult Community & Housing Services

Partnership Contract Review	Direct Payments
Housing Repairs	Telecare and Dudley Community Alarms
Central Dudley Locality	Warden Schemes & Sheltered Housing
Call Centre	Home Care
Asset Management and Safety	START
Project Management	Policy and Performance
Information Governance	Business Technology
Rent Collection & Setting Review	Learning and Development
Estates Management	Financial Assessments
Homelessness	Safekeeping
Flats Expenses	Rechargeable works/Trading Account
PULSE Team	Private Sector Housing Strategy
Community Team Learning Disabilities	Supporting People
Follow Up	Consultancy

Chief Executive

Elections	Business Continuity
Electoral Registration	Transformation
Marketing & Communications Unit	Corporate Governance
Corporate Performance Management	Partnership Governance
Ethics- Staff & Members	Annual Governance Statement
Corporate Data Quality	Consultancy
Value for Money	

Children's Services

Fostering	Early Education Places
Flipside	Early Years Admin
Adoptions	Education Investigation Service
Emergency Duty Team	Education Improvement Advisory Team
Bromley Specialist Nursery	Childrens Centres - Central Co-ordination
Supervised Contact	Caretaking & Cleaning
Independent Fostering Agencies	Himley Hall Catering
Childrens Resources	Saltwells EDC
EMS	Equality and Diversity
Performance / Risk Management	Kitchens
Follow up	Traded Services
Consultancy	Safeguarding and Review Team
School Library Service	Regional Staff College
L.A.C.E.S Team	Pupil Access Team
Learning Support	Buildings & Estates Team

Corporate Resources

Bank reconciliation
Budget preparation/monitoring – Corporate Resources
Control Accounts Review
Treasury Review
Directorate Performance/Risk Management
Mortgages
Insurance
Housing Benefits
Dudley Council Plus
Directorate Procurement
Car loans
Coroners service
Registrars; Dudley & Stourbridge
Property & land acquisitions & disposals
Corporate Risk Management
Agresso all modules
Directorate Payroll & Personnel Procedures Follow Up
RIPA
Axis Application Review
PSEnterprise
National Fraud Initiative
Telecomms
IT Regulatory
Creditors System Review
Teachers Pension Scheme
Fair Funding
Electronic Transactions (BACS)
ICTS Stores/Trading Accounts
ICT Costing
IT Governance
Configuration Management
Audit IT Physical & Environmental Management
Payroll Review
CCTV
HR First
Council tax
Business Rates Review
Revenues Exchequer Team Review
RON Application Review
Crown centre
Information Governance (CR)
Budget Preparation & Monitoring – Chief Executives
CAATS
Repairs and Maintenance Contract
Debtors System
Consultancy

Schools

Quarry Bank School and Childrens Centre
St Marys'RC
Leasowes School
Bramford
Crestwood Park
Hasbury
St Edmund & St John
Rosewood Special School
Brierley Hill
Dawley Brook
Dingle
St Josephs' Dudley
Woodsetton Special School
Bromley Pensnett School and Childrens Centre
Foxyards
Netherton Park Children's Centre
St Josephs' Stour
Blanford Mere School and Childrens Centre
Lutley
Maidensbridge
Brook
Hurst Hill
Straits
Fairhaven
Rufford
Halesbury Special School
Colley Lane School and Childrens Centre
Gig Mill
Manor Way
Caslon
Our Lady & St Kenelm
Pedmore C of E
The Ridge
Church of the Ascension
Mount Pleasant
St Chads
Cradley C of E
Thorns
Halesowen CE
Oldswinford

Tenterfields School and Childrens Centre
St Marys' CE
St Marks' C of E

Wallbrook
Hawbush
Childrens Centres

Urban Environment

Dell Stadium
Red House Cone
Dudley Museum
Sports Development
Halesowen Leisure Centre
Dudley Leisure Centre
Building Regulations
Food Inspection
DUE Information Governance
Street & Other Maintenance direct operations
Consultancy

Private Sector Drainage Enforcement
Economic Regeneration
Waste Strategy/Recycling
Street Lighting
Road Safety
Procurement (& disposal) of Vehicles
Directorate Performance/Risk Management
Graphics & Marketing
Divisional Administration
Follow Up

APPENDIX B**TOTAL SUMMARY OF PLANNED WORK COMPLETED FOR EACH DIRECTORATE**
2011/12

Department	No. of audits	Number of Recommendations	Number of Breach	Number of High Priority Findings	Number of unimplemented recommendations
Adult, Community and Housing Services	28	240	66	3	11
Chief Executives	13	62	20	11	4
Children's Services	30	463	177	7	25
Corporate Resources	47	167	46	9	8
Schools	46	1018	659	5	136
Urban Environment	21	131	71	4	19
Honorary	7	0	0	0	0
TOTAL	192	2081	1039	39	203
2010/11	178	1838	690	47	151
2009/10	195	1624	723	70	169
2008/09	199	1657	696	114	226
2007/08	189	1803	340	114	193

AUDIT SERVICES - SERVICE PLAN
OUTTURN FOR 2011/12

DEPARTMENTAL PI	TARGET 2010/11	ACHIEVEMENT OF TARGET AND COMMENT ON PERFORMANCE
<u>Frequency and level of audit</u> Percentage of audit plan completed Number of audits completed	100% 210	96% [93%] 192 [185] 15 audits cancelled or deferred due to service restructures
<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%	93% [90%] 97% [99%]
<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 – 17% [20%] below median Audit cost per £m turnover – 12% [20%] below median

Figures in brackets are for 2010/11

APPENDIX D**SUMMARY OF AVERAGE SCORES FOR 2011/12 ON RETURNED POST-AUDIT QUESTIONNAIRES**

1. Pre-Audit Arrangements	2011/12 Average Score	2010/11 Average Score
Usefulness of audit brochure	3.2	3.1
Booking of audit	3.4	3.6
Aim of audit explained	3.6	3.5
Opportunity to influence scope of audit	3.2	3.2
Adequate notice given	3.6	3.5

2. Audit visit	2011/12 Average Score	2010/11 Average Score
Conduct of auditors	3.8	3.9
Communication skills	3.7	3.9
Helpfulness and approachability	3.8	3.9
Continuous feedback of findings	3.6	3.8

3. Report post audit	2011/12 Average Score	2010/11 Average Score
Draft report discussion	3.6	3.6
Usefulness of Recommendations	3.4	3.4
Advice on implementing recommendations	3.3	3.4
Style and clarity of report	3.6	3.5
Timeliness of report	3.5	3.4

2011/12 AUDITS
SUMMARY OF SATISFACTION RATINGS
FOR RETURNED POST-AUDIT QUESTIONNAIRES

	2011/12 (%)	2010/11 (%)	2009/10 (%)
Received	57	54	54
Good to excellent	88	92	90
Satisfactory to Good	12	8	10
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 2012

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 2011/2012. 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
- Audit, Standards and Scrutiny Committees

Les Bradshaw
Head of Audit Services

Date: 7th June 2012