

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 27th JULY 2010

INTERNAL AUDIT QUARTER 1 2010/11 UPDATE REPORT

REPORT OF THE AUDIT & RISK MANAGER

1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarter one – April – June 2010.
- 1.2 To update members on the detailed ICT Audit Plan 2010/11.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the information in the quarter 1 update report.
- 2.2 That members note the detailed ICT Audit Plan 2010/11 attached as Appendix F.

3 SUMMARY

- 3.1 The Audit Committee receives a quarterly update of the work of Internal Audit. This report includes the update report for quarter one – April to June 2010.
- 3.2 At the Audit Committee meeting in March 2010 Members agreed the Internal Audit Plan for 2010/11 with summary days for IT audit as a detailed plan was being developed with the newly appointed external IT audit experts. The 3 year plan and detailed plan for 2010/11 have now been agreed and are provided to members for information.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 30th March 2010 – Annual Internal Audit Plan 2010/11
Audit Committee 28th June 2010 – Annual Internal Audit Report 2009/10

5 INTERNAL AUDIT – QUARTER ONE UPDATE (APRIL – JUNE 2010)

5.1 This section of the report provides information on the work of Internal Audit during April to the end of June 2010 and provides an update on the progress of previous audit reports issued (July 2008 to March 2010).

5.2 Internal Audit activity during this period has focussed on completion of the audits set out in the Internal Audit Plan including any carry forwards from quarter 4. There have been a couple of unplanned pieces of work during the period which are currently being concluded.

5.3 The following appendices are attached to the report:

- i) Appendix A – List of final reports issued in quarter one with our grading – red, amber, yellow or green. This report also includes budgeted time, actual time and percentage variance. Comments are provided in this report on the variances.
- ii) Appendix B – List of all work undertaken for quarter one of 1 day or more.
- iii) Appendix C - Previous graded reports from July 2008 to March 2010 with their current status. (Members should note that green reports have now been excluded from this report).
- iv) Appendix D – further information on the 4 Amber reports issued this quarter.

5.4 Appendix A shows 17 final reports were issued in quarter 1.

5.5 The areas shown in this table were over their allocated time for the reasons highlighted below:

Area	Variance (days)	Reason
Sutherland School	7.5	The school failed the standard and this created additional work for the team due to the poor systems and controls examined. (See Amber reports Appendix D)
Lord Silkin	5	Additional work required on the imprest account.
Burton Borough	1.9	There was a new Business Manager at the school who required a lot of advice and support prior to and during the visit.
Blessed Robert Johnson	1.1	Extra time due to the volume of community income and the number of imprest transactions
Car Parking Enforcement	11.4	New audit area which was under estimated. Poor controls identified and additional work on charges for on-street parking and the lack of traffic wardens.

Mental Health	2.25	3 changes to the manager responsible during the audit due to the Council's restructuring.
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5.6 Areas of more than 10 days in Appendix B are explained below:

- a) Adams Grammar School – this includes time for the FMSIS visit and final accounts work. This will be concluded shortly and be reported to the school and the Committee.
- b) Arthog – this was an unplanned complaint review.
- c) I can 2 – this was concluding some unplanned work on a disabled grant overspend from March 2010.
- d) Madeley Court Leisure Centre – system review and follow up of 2 previous investigations
- e) Performance Indicators 2010/11 – this includes reviewing outturn for 2009/10 and follow up of previous audit.
- f) Reporting to members – annual governance statement preparation and agreement, annual report and other standard reports for the Audit Committee. The time also included induction training for two new committee members.

5.7 From Appendix C the position on the original red/amber reports that remain amber or require highlighting to member are as follows:

No.	Area Audited	Original grade	Revised grade	Current position/comments
1.	Catering Systems -	Amber	Amber	As a result of the new reconciliation procedures introduced in September 2009 a cash discrepancy was identified at a school. An investigation was undertaken & reports issued in qtr 3 and qtr 4. Management are addressing the issues highlighted as parts of a service area review with a potential investment in infrastructure to not only address these concerns but also to improve customer service. A further review of catering processes will be carried out in September 2010.
2.	Business Continuity	Amber	Amber	Follow up will be undertaken in quarter 2 2010/11 as part of a full audit. This timing will coincide with planned changes to be implemented by Civil Resilience
3.	Safeguarding - File Audit	Amber	Green	Follow up now complete and recommendations satisfactorily

				implemented..
4.	ICT Security of Data Transfer	Amber		Actions to be taken are part of a larger review of data handling due to new local government guidelines. To be reviewed quarter 2 & 3.
5.	School catering investigation	Red	Yellow	Management issues report was graded yellow but further follow up to be completed by end of Summer term (July 2010)
6.	Confirm system	Amber		Follow up in progress
7.	Adult Residential Services	Amber	Yellow	Follow up completed April 2010 with further follow up to be completed by September 2010.
8.	Pupil Referral Unit	Amber		Follow up due September 2010
9.	Performance Indicators 2009/10	Amber		Follow up included as part of current audit of performance indicators. This is due to be completed by the end of July 2010.
10.	Jacobs Review	Amber		Follow up to be undertaken in quarter 2.

5.8 All other areas are either improving or the follow ups are in progress or planned. Internal Audit is confident and it has been assured by management that controls have and will continue to improve in all areas where recommendations have been made. There are no other issues to bring to the attention of the Committee.

6 DETAILED IT AUDIT PLAN 2010/11

6.1 The Council with their IT audit provider have developed, using a risk based methodology and in conjunction with ICT and Information Governance, a Strategic ICT Audit Plan for 2010 – 2013 (attached as Appendix E). The detail for 2010/11 including internal resource allocation is attached as appendix F. Delivery of this plan commenced this quarter.

7 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of Audit & Risk have attended equal opportunities/diversity training. If any such issues arose during an audit or risk review they would be notified to the appropriate manager.
Environmental Impact	Such issues would be notified to the appropriate manager during or immediately following the audit or risk review.
Legal Implications	The Accounts and Audit Regulations 2003 (as amended) states that the Council shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to

	<p>internal control. There is also a requirement to comply with CIPFA's Code of Practice for Internal Audit in Local Government. Undertaking the audits as set out in the report and providing an update to this Committee contributes towards meeting these requirements.</p> <p>In the event that an audit reveals an issue which requires a recommendation concerning a legal matter this can also be referred to the Council's Legal Services Team for further advice and assistance.</p>
Links with Corporate Priorities	The audit plan is linked to corporate priorities via the risk management process. Where high risks are identified then Audit Services undertakes work on a more regular basis.
Risks and Opportunities	<p>The role of internal audit includes a review of the controls in place to manage the risks within service areas. The reports produced assist the Council in improving systems and controls (reducing risks) and therefore the delivery of services and achievement of objectives.</p> <p>Internal Audit annually reviews the Council's risk management process – this was completed in quarter 4 with the report finalised in April 2010.</p>
Financial Implications	<p>There are no financial implications arising from this report.</p> <p>Where recommendations are made by Audit Services, if possible, cost implications are identified.</p>
Ward Implications	Internal Audit is responsible for the internal audit of all the Council's activities and at all Council locations. Risk management applies across all services and areas of the Council. They therefore both operate within all Council Wards.

8 BACKGROUND PAPERS

Annual Audit Plan 2010/11

Report by Jenny Marriott, Audit & Risk Manager 383101

APPENDIX A

FINAL REPORTS ISSUED QUARTER ONE – APRIL – JUNE 2010

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance (Days)
External FMSis Assessment – Ercall Wood Secondary school	Green	Not applicable	9.5	8.9	-0.6
External FMSis Assessment – Sutherland Secondary school	Amber	October 2010	9.5	17	7.5
External FMSis Assessment – Newport Girls school	Yellow	January 2010	9.5	9.5	0
External FMSis Assessment – Wrockwardine Wood	Yellow	November 2010	9.5	7.00	-2.5
External FMSis Assessment – Lord Silkin	Yellow	November 2010	9.5	14.5	+5
External FMSis Assessment – Burton Borough	Yellow	November 2010	9.5	11.4	+1.9
External FMSis Assessment – Blessed Robert Johnson Catholic College	Yellow	November 2010	9.5	10.6	+1.1
NEETS Turnaround Project	Green	Not applicable	*		
Risk Management	Yellow	November 2010	13	13	0
Members Expenses	Yellow	October 2010	6.25	6.25	0
Officer Mileage & Expenses	Yellow	November 2010	12.75	12.75	0

Incident & Capacity Management	Yellow	October 10	*		
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Appendix A (continued)

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance
Capacity & Performance Management	Amber	October 10	*		
Car Parking & Enforcement	Amber	August 2010	11.5	22.9	+11.4
ICT Governance	Amber	November 10	*		
Health & Safety Review	Yellow	November 2010	5.0	4.7	-0.3
Mental Health Services	Yellow	December 2010	13.25	15.5	+2.25

* = Work undertaken by Audit Partners Haines Watts under ICT Audit Contract or general agreement for maternity cover.

** = Consultancy / investigation work taken from contingency

APPENDIX B

QUARTER 1 - AREAS WHERE WORK UNDERTAKEN HAS BEEN FOR MORE THAN 1 DAY

AUDIT AREA	DAYS
Adams Grammar School	28
Advice/Consultancy on organisational change	5
Alexander Fleming Primary School	7
All pay	4
Alleged Benefit Fraud	1
Arthog	13
Benchmarking	1
Blesses Robert Johnson	1
BTI Grants	1
Burton Borough	2
Business Continuity	1
Charlton	10
Children's Trust	1
Contact Point	2
Corporate Governance	3
Council Tax / NNDR	1
CYP Advice & Consultancy	4
Dawley Town Hall	9
Direct Payments	5
Email & Internet Filtering	7
Emergency Planning/Business Continuity	1
Enterprise HQ	2
Equifax/financial references review	5
Ercall Wood	1
Fees & Charges Review	1
Financial Credit Checks	3
Financial Management Standard	4
FMS Project Management	1
Follow ups	12
Fraud & Compliance Checks	2
Hadley	9
Hadley Children's Centre	1
Haines Watts Contract Management	1
Health & Safety	1
i can 2	13
ICT Audit Contract 2010 onwards	3
Information Governance	4
IT Procurement	1
John Randall FMSiS	1
Lord Silkin FMSiS	1
LPSA Audit Checks	1
Madeley Court Leisure Centre	12
Mount Gilbert FMSiS	1
National Fraud Initiative	2

NEETS income	1
Newport Girls	9
New Growth Point Grant	1

AUDIT AREA	DAYS
Off Street Parking Enforcement	3
Performance Indicators	12
Phoenix	10
Protocol system review of security	1
Putting People First	3
Quetzal	1
Redhill FMSiS	2
Risk management	1
School Administrators Conference	1
School Funds	1
Senior Citizens CRB Information	1
Ski Slope follow up	1
Stroke Care Grant	3
Sutherland School	7
Telford Ice Rink	1
The Villa Care Home	1
Wrockwardine Wood Technology College	7
Member & Team Leader Training	2
Reporting To Members	14
Use Of Resources & CAA	2
West Mercia Audit Committee	1
West Midlands Audit Groups	2