

## **TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE 20<sup>th</sup> SEPTEMBER 2011**

**INTERNAL AUDIT QUARTER 1 2011/12 UPDATE REPORT**

**REPORT OF THE AUDIT & ASSURANCE MANAGER**

### **1 PURPOSE**

- 1.1 To update members on the work of Internal Audit during quarter one – April – June 2011.

### **2 RECOMMENDATIONS**

- 2.1 That members of the Audit Committee note the information in the quarter one update report.

### **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 2011.

### **4 PREVIOUS MINUTES**

- 4.1 Audit Committee 22<sup>nd</sup> March 2011 – Internal Audit Annual Plan and Strategy 2011/12

### **5 INTERNAL AUDIT – QUARTER ONE UPDATE (APRIL - JUNE 2011)**

- 5.1 The report provides information on the work of Internal Audit during April to the end of June 2011 and provides an update on the progress of previous audit reports issued (April 2009 to March 2011).
- 5.2 Internal Audit activity during this period has focussed on the completion of the audits set out in the Internal Audit Plan including starting areas of work for the external auditor. Some work has been undertaken during the quarter to support the go-live of the new financial management system.
- 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.
  - ii) Appendix B – List of all work undertaken for quarter one of 1 day or more.
  - iii) Appendix C - Previous graded reports from April 2009 to March 2011 with their current status. (Members should note that green reports have now been excluded from this report).
- 5.4 Appendix A shows that 13 final reports were issued in quarter 1.
- 5.5 The audit areas shown in the table below were over their allocated time by more than +/- 5% for the reasons highlighted below:

Area	Variance (> +/- 5%)	Reason
Community Centres	+15%	Community Centres had not been audited for a long time and all centres were looked at as part of this review.
Redundancy payments	+13%	Sample size for testing increased to ensure that the process was robust
Newport Pool	+64%	Some additional time due to it being the first audit visit for newly promoted member of staff.
Children's statutory complaints	+100%	New audit area required detailed research into legislation. Training needed to use IT system Complicated processes to audit
Putting People First – Mainstreaming & Developing Personalisation	-14%	Self assessment was used to reduce the audit time as completed by the service area
St Matthews Primary School	-13%	Schools well prepared, limited queries and revised working practices have reduced the time required.
Newdale Primary	-9%	
Millbrook Primary school	-10%	

Most of the positive variances have been where additional work has been undertaken but there have been several negative variances resulting from the revised working practices and restructure. Further time allocations during 2011/12 will be reviewed based on this information.

5.6 Areas of more than 10 days in Appendix B are explained below:

- a) Advice and Guidance including organisational change – increased requests due to organisational and systems/process changes
- b) AGS assurance and certification – verification of information provided by Service Delivery Units in support of the Annual Governance Statement for 2010/11
- c) Community centres – included in table 5.5 above
- d) Council tax/NNDR – these are fundamental audits undertaken each year.
- e) ICT Procurement – the time allocation for this review is 25 days so further information will be included in future report to members.
- f) Review of costs and work for CMT – this was unplanned work to undertake a costs review for Service and Financial Planning Group to assist in the identification of savings and further work for service areas.
- g) The Place, Oakengates – this review has taken longer than planned because in addition to the standard programme there were recommendations from previous reports to be followed up. Further information will be provided in future reports to members.

5.7 Due to our limited resources we have reviewed our working practices with regard to follow ups. All amber and red reports are followed up by an audit visit and testing to ensure that recommendations have been implemented as agreed by management. If reports are graded as yellow we issue a follow up template to the Manager and request that this is completed and returned to Audit services with the required evidence. We do not continue to chase managers for a response. They are advised that the grading of the report will not change until they have provided the appropriate follow up evidence.

5.8 From Appendix C the position on the original red/amber reports that remain amber or require highlighting to members are as follows (see also paragraph 5.9 below):

No	Area Audited	Original grade	Revised grade	Current position/comments
1.	ICT Security of Data Transfer	Amber	Yellow	Information sharing review completed and draft report is currently in the process of being agreed. Actions have been taken such as information sharing agreement for the Council and major partners.
2.	Car Parking and enforcement	Amber		Follow up in progress of being agreed but delayed due to restructuring.
3.	External FMSis – Adams Grammar	Amber	Amber	Follow up carried out. Status remains unchanged. Work still in progress at school but due to become an academy September 2011.
4.	Review of Financial Records in a Care Home	Amber	Yellow	Recommendations still outstanding. Recommendations responsibility of management to implement, audit will not be undertaking further follow up as per revised arrangements.
5.	Arthog Complaint	Amber	Yellow	Follow up carried out and moved to yellow.
6.	Protocol system review	Amber	Yellow	Follow up received but some recommendations still outstanding. Further follow up to be completed in quarter 2.
7.	ICT Change management	Amber	Yellow	Follow up of all outstanding ICT recommendations is undertaken on a monthly basis. Some recommendations in relation to this audit remain outstanding.
8.	Children's Placement Costs 2010-11	Amber		Follow up in progress. Update will appear in future report to members

5.9 The table shows that there are three reports that have remained amber. Due to restructuring the Car Parking and enforcement follow up responses have been delayed. For the others we are working with the appropriate managers to ensure improvements can be reported in the next update report.

5.10 There were no amber reports issued in quarter 1. All other areas previously audited 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 at this time.

## **6 OTHER CONSIDERATIONS**

AREA	COMMENTS
Equal Opportunities	All members of Audit & Assurance 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 review.

Legal Implications	The Accounts and Audit (England) Regulations 2011 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 internal control. There is also a requirement to give consideration to 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. 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.
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	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.
Financial Implications	There are no financial implications arising from this report. Where recommendations are made by Audit Services, if possible, cost implications are identified.
Ward Implications	Internal Audit is responsible for the internal audit of all the Council's activities and at all Council locations and therefore operates within all Council Wards.

## **7 BACKGROUND PAPERS**

Annual Audit Plan 2011/12

Report by Jenny Marriott, Audit & Assurance Manager 383101

## FINAL REPORTS ISSUED QUARTER ONE – APRIL – JUNE 2011

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance
St Matthews Primary School	Green	n/a	7.5	6.5	-13%
Information Governance	Yellow	Oct11	*		
Newdale Primary	Green	n/a	7.5	6.8	-9%
Community Centres	Yellow	December 2011	10.5	12.1	+15%
Absence Management	Yellow	June 2012	*		
Millbrook Primary school	Yellow	September 2011	8.5	7.6	-10%
Redundancy payments	Yellow	December 2011	4.5	5.1	+13%
Putting People First – Mainstreaming & Developing Personalisation	Yellow	April 2012	7	6	-14%
Taxi Licensing compliance review 2011	Yellow	December 2011	**	4.7	**
Newport Pool	Yellow	December 2011	5	8.2	+64%
Children's Statutory Complaints	Yellow	December 2011	7.5	15	+100%
Payment Card Industry Standard	Yellow	December 2011	*		
Software Licensing	Yellow	December 2011	*		

\* = Work undertaken by Audit Partners Deloitte under ICT Audit Contract or general agreement with Haines Watts

\*\* = Consultancy / investigation work taken from contingency

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

Area Reviewed	Days
Abacus system review	9
Adult Complaint work	4
Advice/Consultancy + organisational change	11
AGS assurance & certification	11
Benchmarking	1
Cash Collection - general	2
Catering - Systems Development	1
Community Centres	12
Council Tax / NNDR including ward data checks	12
Direct Payments review	3
Education liaison/dev groups	2
Elections	4
Email & Internet Filtering	3
External Audit Liaison Meetings	3
FMS System development	4
Follow ups	6
Fraud & Compliance Checks	3
Fraudulent Credit Cards	2
Geographical Information System	1
ICT Procurement	16
Information assurance	1
Madeley Infants School	1
Mash Media	2
Meals on Wheels	5
National Fraud Initiative	9
Newdale Primary School	7
Newport Junior School	6
Newport Pool	8
NGP Grant	1
P2.net system	2
Performance Indicators	3
Play builder grants	2
Putting People First	4
Redundancy Payments process	1
Review of Costs and follow up work for CMT	16
Risk management	9
Safeguarding/Protocol Information Security Review	3
School Funds	3
Social Care Service Improvement	8
St Matthews School	7
The Place	18
Transparency Agenda	3
Travel Link	1
William Reynolds Junior School	1