

# **TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE 1<sup>st</sup> NOVEMBER 2011**

## **INTERNAL AUDIT QUARTER 2 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 two – July – September 2011.

#### **2 RECOMMENDATIONS**

- 2.1 That members of the Audit Committee note the information in the quarter two 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 two – July - September 2011.

#### **4 PREVIOUS MINUTES**

- 4.1 Audit Committee 22<sup>nd</sup> March 2011 – Internal Audit Annual Plan and Strategy 2011/12  
Audit Committee 20<sup>th</sup> September 2011 Internal Audit Quarter 1 2011/12 Update Report

#### **5 INTERNAL AUDIT – QUARTER TWO UPDATE (JULY - SEPTEMBER 2011)**

- 5.1 The report provides information on the work of Internal Audit during July to the end of September 2011 and provides an update on the progress of previous audit reports issued (April 2009 to June 2011).
- 5.2 Internal Audit activity during this period has focussed on the completion of the audits set out in the Internal Audit Plan. Some more work has been undertaken during the quarter to support the new financial management system. In addition work has continued to complete the ICT procurement review. This is near finalisation and will be reported as part of the update to the January 2012 Audit Committee.
- 5.3 This quarter the Internal Audit team became responsible for co-ordinating complaints referred to the Ombudsman. To date this has had a minimal impact on the resources available for Internal Audit work and resources are now identified for this work during planning. However due to the unpredictability of this work this will be kept under review.
- 5.4 The following appendices are attached to the report:
- i) Appendix A – List of final reports issued in quarter two 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 two of 1 day or more.

- iii) Appendix C - Previous graded reports from April 2009 to June 2011 with their current status. (Members should note that green reports have now been excluded from this report).
- iv) Appendix D – Summary of Amber reports issued quarter 2.

5.5 Appendix A shows that 11 final reports were issued in quarter 2.

5.6 The audit areas shown in the table below were different to their allocated time by more than +/- 5% for the reasons highlighted below:

<b>Area</b>	<b>Variance (&gt; +/- 5%)</b>	<b>Reason</b>
The Place, Oakengates	+162%	The whole area had not been audited for a number of years and so the scope was significantly wider than the original time estimate would have covered. The draft report identified 27 recommendations. 18 were implemented at draft discussion and the remainder implemented September 2011. Now green.
Frozen Meals Contract	+18%	Additional time spent reviewing the contract in detail as larger than anticipated.
Abacus	+13%	Additional testing due to interface and use by Adults and potentially Children's services. Some delays in finalising report due to changes to responsibilities.
Treasury Management	-43%	Time increased previously due to the banking crisis but revised systems in place so reduced time required. Also there were no loans to be sampled.
Travel Link	-26%	Systems and procedures in place which meant easier to undertake the review.
Risk management	-25%	Systems and procedures in place which meant easier to undertake the review.
P2 Net	-6%	Only slightly under.

Future time allocations will be reviewed based on these experiences.

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

- a) Advice and Guidance including organisational change – continuing requests due to organisational and systems/process changes
- b) Cash collection, Council tax, NNDR and Treasury Management – all annual audits where we are required to complete internal assurance but also the external auditors control reviews.
- c) ICT procurement review – the time allocation for this audit was 25 days. Time has been spent this quarter as well as during last quarter.
- d) Performance indicators – covered the carbon reduction indicators as well as those published on the website and Council promises.

5.8 From Appendix C the position on the original red/amber reports that remain amber or require highlighting to members are as follows.

No	Area Audited	Original grade	Revised grade	Current position/comments
1.	Car Parking and enforcement	Amber		See paragraph 5.9 below.
2.	Review of Financial Records in a Care Home	Amber	Green	Satisfactory follow up.
3.	Arthog Complaint	Amber	Green	Satisfactory follow up
4.	Protocol system review	Amber	Yellow	Follow up received but some recommendations still outstanding. Further follow up to be completed in quarter 3.
5.	Children's Placement Costs 2010-11	Amber		Follow up still in progress. Update will appear in future report to members

- 5.9 The table shows that there are two reports that have remained amber. Due to restructuring the Car Parking and enforcement follow up responses have been delayed but we have been advised that new systems and contracts are to be implemented incorporating the Internal Audit recommendations made. We will therefore undertake a full review of these revised arrangements in Spring 2012 and report back to members. We are still chasing the Children's Placements follow up and therefore the grade remains amber. The follow ups for the Review of Financial Records in a Care Home and Arthog Complaint are now satisfactory and graded green. The Protocol system improvements are taking place with a further review to be completed in quarter 3.
- 5.10 There were two amber reports issued in quarter 1 and summary information is provided in Appendix D. These were in respect to the Abacus system and ICT Backup and Recovery. Recommendations have been made and actions and deadlines to implement them have been agreed with management. Follow ups to review implementation will take place in February 2012 and December 2011 respectively.
- 5.11 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 TWO – JULY – SEPTEMBER 2011

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance
ICT Back up and Recovery	Amber	December 2011	*		
Server Virtualisation	Yellow	November 2011	*		
The Place Oakengates	Green	N/A	8	21	+162%
Waste management Contract review	Yellow	January 2012	**		
Risk management	Yellow	Annual audit	15	11.3	-25%
Treasury Management	Green	Annual audit	20	11.4	-43%
Travel Link	Yellow	March 2012	10	7.4	-26%
Frozen Meals Contract	Yellow	March 2012	6.75	8	+18%
Website management	Yellow	April 2012	*		
P2 Net	Yellow	Feb 2012	8	7.5	-6%
Abacus system	Amber	Feb 2012	15	17	13%

\* = Work undertaken by Audit Partners Deloitte under ICT Audit Contract

\*\* = Final piece of work undertaken by Haines Watts under 2010/11 supply arrangement for general audit work (now ended).

**QUARTER 2 - AREAS WHERE WORK UNDERTAKEN HAS BEEN FOR MORE THAN 1 DAY**

<b>Areas Reviewed</b>	<b>Days</b>
Abacus system review	2
Adult Complaint work	3
Advice/Consultancy	17
AGS assurance & certification	4
Building Schools for the Future	1
Cash Collection	19
CISP review & update	2
Council Tax / NNDR	43
Direct Payments Query	5
Discharge process - Acute Hospitals & Mental Health Units	2
Donnington Wood Junior School	4
Email & Internet monitoring	3
External Audit Liaison & revised arrangements	3
FMS System development	5
Follow ups	5
Fraud & Compliance Checks	1
Grange Park	7
ICT Procurement	12
IG Audit	1
Lightmoor School	3
Meals on Wheels	3
National Fraud Initiative	5
Newport Junior School	2
P2.net	5
Performance Indicators	12
Review of Costs and Expenditure	7
Risk management	6
Safeguarding Recommendations Follow Up	2
School Funds	1
Social Care Service Improvement Programme	8
Statutory Complaints procedures	2
Supplier Query	5
The Place	3
Transparency Agenda	2
Travel Link	6
Treasury Management	11
Wombridge School	1
Woodlands School	6