

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 31st JANUARY 2012

INTERNAL AUDIT QUARTER 3 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 three – October – December 2011.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the information in the quarter three 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 three – October - December 2011.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 22nd March 2011 – Internal Audit Annual Plan and Strategy 2011/12
Audit Committee 20th September 2011- Internal Audit Quarter 1 2011/12 Update Report
Audit Committee 1st November 2011 - Internal Audit Quarter 2 2011/12 Update Report

5 INTERNAL AUDIT – QUARTER THREE UPDATE (OCTOBER - DECEMBER 2011)

- 5.1 The report provides information on the work of Internal Audit during October to the end of December 2011 and provides an update on the progress of previous audit reports issued (April 2009 to September 2011).
- 5.2 Internal Audit activity during this period was as set out in the plan. The work has focussed on the fundamental audits for the Council and the External Auditor. During this period these have been general ledger, purchase ledger, sales ledger and benefits.
- 5.3 The following appendices are attached to the report:
- i) Appendix A – List of final reports issued in quarter three 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 three of 1 day or more.
 - iii) Appendix C - Previous graded reports from April 2009 to September 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 3.
- 5.5 The audit areas shown in the table below were different to their allocated time by more than +/- 5% for the reasons highlighted below:

Area	Variance (> +/- 5%)	Reason
The Grange Primary School	-6%	Slightly under due to school being very well organised and limited purchase order sample testing completed due to implementation of Agresso
The Woodlands Primary School	12%	Additional time spent at the school due to large amounts of cash found at time of audit visit (and having to count / record processes)
Lightmoor Primary School	-22%	Under due to school being very well organised and limited purchase order sample testing completed due to implementation of Agresso
ICT Procurement	50%	Initial scope extended and the initial audit also highlighted significant control weaknesses within the service area which meant that additional testing was required as agreed with Head of Service. Please see 5.6 and 5.7 below.
Wombridge primary school	-8%	Slightly under due to school being very well organised and limited purchase order sample testing completed due to implementation of Agresso
Donnington Wood Jnr	-26%	Under due to school being very well organised and limited purchase order sample testing completed due to implementation of Agresso
St Peter's C of E Primary school	-11%	Slightly under due to school being very well organised and limited purchase order sample testing completed due to implementation of Agresso
Council Tax / NNDR	27%	Initial scope extended to include an application review and additional checks following the notification of potential risk of fraud highlighted by Coventry Council.

Future time allocations will be reviewed based on these experiences

5.6 When we completed the ICT Procurement audit in September 2011 we were concerned about the audit findings and as a result we could not give any assurance that the expenditure that was being paid to ICT suppliers was correct, valid and in accordance with any contract conditions. These concerns were highlighted to, the Head of Property & ICT and the Infrastructure & Operations Service Delivery Manager and they took urgent action to address the control weaknesses identified. At the time they were part way through the restructure of the ICT unit. They allocated two members of staff to look at all ICT contracts and an Action Plan was put in place to implement the recommendations made in the draft report. This team also worked closely with the Corporate Procurement Team to ensure that the appropriate procurement rules and procedures were being adhered to.

5.7 Significant progress has been made by ICT since the audit and our revised opinion is reasonable with the direction of travel positive. As part of the Property & ICT restructure the Head of Service provided further emphasis and control by introducing an Asset & Documentation Team Leader. The Asset & Documentation Team Leader has recently been appointed with an early task of a revised ICT Contract Register which contains the details recommended in respect to ICT contracts which is being developed and managed. There is still work in progress with 80% complete with the remaining 20% to be completed by the target date of 31 March 2012.

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

- a) Advice and Guidance including organisational change – continuing requests for advice due to organisational and systems/process changes.
- b) Integrated Benefits - key Council system and allocation was 40 days
- c) Main accounting, Purchase ledger and sales ledger – normal key Council systems audits which are at least 20 days each but additional time due to the implementation of the Councils new financial management system (Agresso).
- d) Supplier query – review of some contractors including repairs and maintenance.

5.9 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	
1.	Car Parking and enforcement	Amber	Amber	Follow up is still in progress due to restructuring so no change to grade. We have been advised that new systems and contracts are being put in place. Full review of revised arrangements to be undertaken Quarter 1 2012/13 therefore there will be a new update to members then.
2.	Children's Placement Costs 2010-11	Amber	Yellow	Work has been undertaken by the service area to change the grading to yellow. Following a reorganisation within this service area a full review will be carried out during 2012-13
3.	ICT Back up and Recovery	Amber	Yellow	Follow up completed and further review due April 2012. HOS and Service Delivery Manager (SDM) attending Audit Committee to provide a further update.
4.	Abacus system	Amber		Follow up due February 2012

5.10 The table shows that car parking and enforcement is revising systems and processes and that a further review will take place in April – June 2012. Children's Placement costs have improved to yellow and the Head of Service has addressed this Committee on today's agenda to update members on this area. ICT Back Up and Recovery follow up is complete and the grading has improved to yellow but a further review will be undertaken in April 2012. The Head of Service and SDM have attended this Committee to update members on this area. The Abacus system follow up is scheduled for February 2012.

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

APPENDIX A

FINAL REPORTS ISSUED QUARTER THREE – OCTOBER – DECEMBER 2011

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance
Agresso Go Live Checkpoint	Yellow	Agresso Audit Qtr ¾	*		
Newport Junior Primary school	Yellow	April 2012	7.5	7.56	-
The Grange Primary School	Green	N/A	7.5	7.05	-6%
Information Governance	Yellow	April 2012	*		
The Woodlands Primary School	Green	N/A	7.5	8.38	12%
Lightmoor Primary School	Yellow	May 2012	8.5	6.62	-22%
Cash Collection	Yellow	Annual audit	23	22.15	-4%
ICT Procurement	Yellow	March 2012	17.5	26.30	50%
Fraudulent Credit Card Payment review	Green	n/a	Unplanned**	3.77	n/a
Wombridge primary school	Yellow	May 2012	7.5	6.91	-8%
Donnington Wood Jnr	Yellow	May 2012	7.5	5.50	-26%
St Peter's C of E Primary school	Green	n/a	7.5	6.69	-11%
Council Tax / NNDR	Yellow	Annual audit	40	50.65	27%

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

** = time taken from contingency

QUARTER 3 - AREAS WHERE WORK UNDERTAKEN HAS BEEN FOR MORE THAN 1 DAY

Areas	Days
AGS assurance & certification	3
Advice and Guidance including organisational change	15
Agresso Interfaces with other systems	8
Cash Collection – general	1
Council Tax / NNDR	6
Discharge process - Acute Hospitals & Mental Health Units	3
Donnington Wood Junior School	2
Education liaison	1
Email & Internet reviews	2
External Audit Revised arrangements	1
Agresso System development advice	5
Follow ups	3
ICT Procurement	1
Integrated Benefits System	38
Lightmoor School	3
Main Accounting	14
Member & Team Leader Training	2
Ombudsman Complaints	10
Purchase Ledger	27
Reporting To Members	7
Safeguarding Recommendations Follow Up	1
Sales Ledger	24
School Funds	1
Speak Up Policy Update	2
St Peters Bratton	7
Statutory Complaints procedures	1
Transparency Agenda	4
Wombridge	6
Woodlands	3
Press release review	5
Infrastructure Contract review	5
Inspection by IOCCO	1
Income and Subsidies	5
Social Care Service Improvement	1
Supplier Query	11
Youth Service review	3