

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 25th JUNE 2013

INTERNAL AUDIT UPDATE REPORT – QUARTER FOUR 2012/13

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarters two and three – July – December 2012.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the information in this Internal Audit update report.

3 SUMMARY

- 3.1 The Audit Committee receives a regular update of the work of Internal Audit. This report provides the update report for quarter four – January – March 2013.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 26th June 2012 – Internal Audit Quarter 4 Update report
Audit Committee 25th September 2012 – Internal Audit Quarter 1 and IG Update Report
Audit Committee 29th January 2013 – Internal Audit Update Report – Quarters Two & Three 12/13

5 INTERNAL AUDIT QUARTER FOUR UPDATE (JANUARY – MARCH 2013)

- 5.1 The report provides information on the work of Internal Audit from 1st January – 31st March 2013 and provides an update on the progress of previous audit reports issued (April 2010 to December 2012).
- 5.2 The key focus for the team during quarter 4 was the completion of the fundamental audits which the Council's External Auditors review and rely as part of their final accounts audit. The informal feedback on the work has been satisfactory. The Audit & IG SDM continued to support the transfer of the Public Health function to the local authority.
- 5.3 The following internal audit update report appendices are attached:
- i) **Appendix A** – List of final reports issued in quarter four 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 four for a period of 1 day or more.
 - iii) **Appendix C** - Previous graded reports from April 2010 to December 2012 with their current status. (Members should note that once reports have reached a green status and have been reported to members that are excluded from future reports).
 - iv) **Appendix D** – Summary of the red amber report issued in quarter 4.
- 5.4 Appendix A shows 28 reports were issued in quarter 4 including 1 follow up report. For the final reports issued the areas shown in this table below varied from the allocated time by more than +/- 10% for the reasons highlighted.

Area	Variance (> +/- 10%)	Reason
Children's Placements	+93.20%	Far reaching audit covering many departments, scope unknown when setting days allocated.
Wellington Combined Services	-28.25%	Over estimated allocation. Able to carry out work by meeting with multiple teams at the same time.
Lilleshall Primary School	+22.88%	New Internal Auditor deployed and therefore time was spent on familiarisation and explaining the processes.
Shortwood Primary School	-18.00%	Well prepared school.
CRM & ERDMS Systems	-49.50%	Well organised and was able to provide evidence without delay.
ICT Governance Of Projects	-34.22%	Well organised and was able to provide evidence without delay.
Sales Ledger	+54.09%	New Internal Auditor deployed therefore familiarisation with area and processes. Also time spent discussing reports and overall grading.
Abraham Darby Leisure Centre	+16.49%	New Leisure Centre and first Leisure Centre review for New Auditor.
Term / Service Contracts	+69.00%	Detailed and far reaching review with involved discussions regarding findings and grading of report.
Arthog	+147.43%	Scope larger than had been allocated for. A large number of findings and a number of discussions involving finance and service delivery manager to assist in addressing control weaknesses identified.
Property & Design Help Desk	+19.50%	Additional testing carried out at the request of Facilities Management.
Benefits	-43.49%	Reduction due to testing being undertaken with benefits staff on hand to answer queries and very few recommendations to follow up.
Car Parking	-44.60%	Reduced scope due to potential changes in service area. Review concentrated on income collection.
Cash Collection	-23.30%	Service areas well prepared in advance of visit and all information readily available.
Donnington Wood Infant School	-20.67%	Well prepared school.
Main Accounting	-34.28%	Well organised service area.

The reasons for the positive and negative variances are as explained above. Time allocations for 2013/14 will be reviewed based on this information.

- 5.5 There were two red reports issued in quarter 4 – Foster Care Form F Assessments and Corporate Parenting. Both areas were reviewed following requests from Senior Management due to concerns about processes and their desire for an independent review. The audit reviews confirmed poor systems and controls in place. Follow ups have been undertaken on the Form F Assessments and processes have improved such that the grading is now green. This is because use of the external provider has ceased and the recommendations made for other changes have been implemented. For Corporate Parenting there have been staff changes and the systems have now been changed as a result of the audit so we are confident the issues identified have been addressed. Summary information on these reports is provided in Appendix D.

5.6 There were six amber reports issued during quarter 4 – Children’s Placements, Term/Service Contracts, Newport Infants School, Arthog, Car Parking and Purchase Ledger. Summary information is provided in Appendix D. The follow up for the Children’s Placements audit has already been completed and the grading has already improved to yellow. For the other areas management actions to implement recommendations have been agreed and Internal Audit has follow up work planned or in progress. Internal Audit is confident that management will implement the remaining recommendations to provide appropriate assurance and improve the grading.

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

Audit Area	Days	Explanation
Advice & Consultancy	15	Due to restructures, reductions in budgets and the implementation of revised governance, systems and procedures service areas are continuing to seek advice and support.
Catering	15	Review requested by AD on the cashless systems, procedures and completion of documentation/system input
HR/Payroll	24	Fundamental audit
Main & Capital accounting	21	Fundamental audit
Purchase Ledger	22	Fundamental audit

5.8 From Appendix C there are currently two original amber reports that remain amber – the Abacus review and Markets cash collection review. Members received an update at the March 2013 meeting on the Abacus review and agreed a further update to the September meeting. The Markets follow up is due to be undertaken in June so that the restructure and new procedures have bedded in. We have received information from management that improvements have already been made but these will be confirmed in the follow up and an updated position will be reported verbally to the Committee.

5.9 All other areas reported on in this update report but not highlighted to members are either improving or the follow ups are in progress or planned. Internal Audit is confident and 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 & Information Governance 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	All members of Audit & Information Governance are environmentally aware and if any issues were identified they would be notified to the appropriate manager.
Legal Implications	The Accounts and Audit (England) Regulations 2011 state that the Council must undertake an adequate and effective 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 comply with CIPFA’s Code of Practice for Internal Audit in Local Government. 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 through the service planning 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 (mitigating risks) and therefore the delivery of services and achievement of objectives.
Financial Implications	The work undertaken in quarter 4 has been resourced by Audit staff that are funded from the Council's base budget. Where recommendations are made by Audit Services, if possible, cost/savings 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 2012/13 and strategy

Report by Jenny Marriott, Audit & Information Governance Manager 383101

FINAL REPORTS ISSUED QUARTER FOUR – JANUARY TO MARCH 2013

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Foster Care Form F Assessments Review	Red	February 2013	0+	5.57	N/A
Customer Relationship Manager (CRM) IT review	Yellow	June 2013	*	*	*
TEN – Income Collection & Imprest Compliance Checks	Yellow	May 2013	0+	2.19	N/A
Children's Placements	Amber	April 2013	10	19.32	+93.20%
Wellington Combined Services	Yellow	April 2013	8	5.74	-28.25%
Lilleshall Primary School	Yellow	July 2013	6.25	7.68	+22.88%
Shortwood Primary School	Green	N/a	6	4.92	-18.00%
CRM & ERDMS Systems	Green	N/a	6	3.03	-49.50%
ICT Governance of Projects	Yellow	August 2013	4.5	2.96	-34.22%
Telecommunications	Yellow	August 2013	*	*	*
Sales Ledger	Yellow	Part of annual audit	22	33.90	+54.09%
Apley Wood Primary School	Yellow	July 2013	6	5.48	-8.67%
Abraham Darby Leisure Centre	Yellow	August 2013	12.25	14.27	+16.49%
IT Service Design	Various – see below	May 2013	*	*	*
Term / Service Contracts	Amber	May 2013	3	5.07	+69.00%
Newport Infants School	Amber	September 2013	7	7.49	+7.00%
Arthog	Amber	July 2013	7	17.32	+147.43%
Property & Design Help Desk	Yellow	September 2013	10	11.95	+19.50%
Corporate Parenting Team	Red	June 2013	3.75	3.77	+0.53%
Benefits	Yellow	Part of annual audit	37.50	21.19	-43.49%
Car Parking	Amber	September 2013	10	5.54	-44.60%
HR & Payroll	Yellow	Part of annual audit	30	30.48	+1.60%
Cash Collection	Various – see below	Part of annual audit	20	15.34	-23.30%
Tibberton Primary School	Yellow	September 2013	6	5.83	-2.83%
Donnington Wood Infant School	Yellow	September 2013	6	4.76	-20.67%

Purchase Ledger	Amber	Part of annual audit	30	29.39	-2.03%
Main Accounting	Yellow	Part of annual audit	40	26.29	-34.28%

* Review undertaken by Deloitte under specialist IT audit contract.

+ Reviews requested by service area so days taken from contingency

ICT Service design – Various: Strategy – Yellow; Service Delivery – Yellow; Capacity – Amber

Cash Collection – Various: Cash Management – Yellow, Darby House Reception – Yellow, Wellington First Point (Library) – Amber, Legal Services Search Fees – Yellow and Youth & Cohesion (Stafford Park) – Yellow.

QUARTER FOUR - AREAS WHERE WORK UNDERTAKEN HAS BEEN FOR ONE DAY OR MORE

Audit Area	Days
Abacus system review	3
Advice and Consultancy	15
Apley Wood Primary School	5
Arthog	2
Car Parking Enforcement	1
Care first application review	3
Cash Collection	3
Catering	15
Children's Commissioning	8
Children's Placements	1
Continuing Healthcare	2
Corporate parenting	4
CRM & ERDMS systems	1
Donnington Wood Infants	4
Electronic Client Records	1
Follow ups	4
Foster Carers Form F review	2
Fraud & Compliance Checks	5
Homelessness Thresholds	5
HR/Payroll	24
Integrated Benefits System	7
John Fletcher of Madeley Primary School	5
Licensing	4
Review of overpayments to Lightmoor /Reflexions	3
Lilleshall Primary School	1
Main & Capital Accounting	21
Newdale Nursery and First Steps system	6
Newport Infants School	1
Oakengates Theatre - review re missing cash	1
Ombudsman Complaints	6
Performance Information Verification	3
Property & Design Helpdesk	2
Public Health Transfer	9
Pupil Tracking	2
Purchase Ledger	22
Sales Ledger	6
Self Directed support	2
Service User Journey	4
Shortwood School	1
Stirchley Recreation Centre	1
Term Contract / Service Contracts	1
Tibberton Primary School	5
Trading standards	2
Uniform system	5
Voluntary Sector Agreements	1