

## **TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE 29<sup>th</sup> JANUARY 2013**

**INTERNAL AUDIT UPDATE REPORT – QUARTERS TWO & THREE 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 quarters two and three – July – December 2012.

### **4 PREVIOUS MINUTES**

- 4.1 Audit Committee 26<sup>th</sup> June 2012 – Internal Audit Quarter 4 Update report  
Audit Committee 25<sup>th</sup> September 2012 – Internal Audit and IG Update Report

### **5 INTERNAL AUDIT QUARTERS TWO & THREE UPDATE (JULY - DECEMBER 2012)**

- 5.1 The report provides information on the work of Internal Audit from 1<sup>st</sup> July – 31<sup>st</sup> December 2012 and provides an update on the progress of previous audit reports issued (January 2010 to June 2012).
- 5.2 The team has continued with the work in the quarter 2 and quarter 3 plans including the follow ups of the purchase ledger, general ledger and sales ledger audits to provide additional assurance to the Council's External Auditors for the final accounts audit. The part-time Auditor (18.5 hours) left at the end of August and the budget was reviewed resulting in the hours being increased to 25 hours. Following a recruitment process a new Auditor commenced at the end of October 2012. The Audit & IG SDM has 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 quarters two and three 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 quarters two and three for a period of 1 day or more.
  - iii) **Appendix C** - Previous graded reports from January 2010 to June 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 amber report issued quarters 2 and 3.

5.4 Appendix A shows 31 reports were issued in quarters 2 and 3 including 6 follow up reports. 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
Town Park Visitors Centre	+52.5	Revised location so new systems and procedures to be reviewed.
Telford Tennis Centre contract	+465	Originally just a contract review but extended to look at systems and procedures when issues with contract monitoring and management were identified.
Bank contract review	+12.5	Further work required due to issues with new contract
Supported lodgings	+36.2	New area and under estimate for budget
Foster Carer Recruitment Campaign	+48.6	A number of issues identified and additional time due to a lack of response from the auditee
Contract Changes & Waivers	+33.1	New area and diversity of areas meant that the estimate was too low
Young People in Transition & Enablement	+21.4	New area which was more complex than anticipated. Also additional time due to a lack of response from the auditee
St Peters, Edgmond	+44.9	Budget reduced but probably by too much for this school due to increased income at the schools due to pre and afterschool clubs. Also additional safe check and analysis of the use of Agresso.
Teagues Bridge Primary School	+49.4	Budget reduced but probably by too much for this school due to increased income at the schools due to pre and afterschool clubs. Also additional safe check and analysis of the use of Agresso.
Wrekin View Primary School	+42.7	Budget reduced but probably by too much for this school due to increased income at the schools due to pre and afterschool clubs. Also additional safe check and analysis of the use of Agresso.
St Peters & St Pauls	-16.4	School well prepared and no additional income to review.
St Lawrence	-39.4	School well prepared and no additional income to review.
Jacobs replacement contract	-32	Reduced scope due to stage of the procurement process.
Carbon Reduction Commitment	-60	Previous budget was used but as now more familiar with the area and the service area were well prepared significantly less time was required.
Insurance	-34	No major issues identified that required further analysis
Teenage Pregnancy Governance structures	-21.6	New area so unsure on time required. Service area well prepared.
Church Aston School	-14.3	School well prepared and no additional income to review.
Council Tax	-14.1	Well prepared files and working papers plus knowledge of the system produced a time saving.
NNDR	-14.1	Well prepared files and working papers plus knowledge of the system produced a time saving.
Procurement contract monitoring	-18.1	Scope changed so all budget was not required

The reasons for the positive and negative variances are as explained above. Time allocations for 2013/14 will be reviewed based on this information. The allocation for schools will be increased to 7 days (was 8.25 and reduced to 5-6 days).

5.5 Areas of more 10 days or more in Appendix B are explained below by each quarter:

Audit Area	Qtr 2	Qtr 3	Explanation
Advice & Consultancy	24	24	Due to restructures, reductions in budgets and the implementation of revised governance, systems and procedures service areas are continuing to seek advice and support.
Council Tax/NNDR	32		Fundamental audit
Sales Ledger	12	28	Fundamental audit
Treasury Management	14.5		Fundamental audit
Abraham Darby Leisure Centre		13	New leisure centre so increased work required compared to existing centres
Arthog		10	Due to the current reduced use of Agresso (finance system) additional testing was required.
Cash Collection – general		14	Fundamental audit
Integrated benefits system		13	Fundamental audit

5.6 From Appendix C there are currently 2 original amber reports that remains amber – the Abacus review and Markets & cash collection. Some progress was identified when the follow up was undertaken but insufficient to change the grade. Further reviews will be undertaken in quarter 4 and the results of this will be reported to members.

5.7 There were four amber reports issued during quarters 2 and 3 – Town Park Visitors Centre, St Peter and Paul’s School, Telford Tennis Centre and a Bank Contract Review. Summary information is provided in Appendix D. 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.

5.8 All other areas reported on in this update report but not highlighted 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

	<p>internal control. There is also a requirement to comply with CIPFA's Code of Practice for Internal Audit in Local Government.</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 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	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 QUARTERS TWO & THREE<sup>1</sup> – JULY TO DECEMBER 2012

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Town Park Visitors Centre	Amber	December 2012	8.0 days	12.2 days	- 52.5
SS Peter and Paul	Amber	December 2012	8.25 days	6.9 days	-16.4
St Lawrence	Yellow	October 2012	8.25 days	5.0 days	-39.4
Jacobs replacement contract	Yellow	October 2012	2.5 days	1.7 days	-32
Carbon Reduction Commitment	Yellow	Annual review	4 days	1.6 days	-60
Telford Tennis Centre	Amber	November 2012	2 days	11.3 days	+465
Insurance	Yellow	January 2012	10 days	6.6 days	-34
Bank Contract Review	Amber	November 2012	4 days	4.5 days	+12.5
HR Allowances	Yellow	January 2013	10.25 days	9.3 days	-9.3
Network Infrastructure Report	Various – see below+	March 2013	*	*	*
Agresso – Post Implementation Review	Yellow	During Annual General Ledger audit	*	*	*
Purchase Ledger – Follow Up	Amber	Will next be followed up as part of the fundamental audit in Q3	n/a	n/a	n/a
General Ledger – Follow Up	Yellow	Will next be followed up as part of the fundamental audit in Q3	n/a	n/a	n/a
Abacus – Follow Up	Amber	1 <sup>st</sup> follow up August 2012 – 2 <sup>nd</sup> follow up due January 2013	n/a	n/a	n/a
Supported Lodgings	Yellow	December 2012	5 days	6.81 days	+36.2
Teenage Pregnancy Governance Structures	Yellow	March 2013	5 days	3.92 days	-21.6
GIS Application	Yellow	January 2013	3.5 days	3.55 days	+1.4
ICT Procurement – Follow Up	Yellow	January 2013	n/a	n/a	n/a
Foster Carer Recruitment Campaign	Green	N/a	3.25 days	4.83 days	+48.6

<sup>1</sup> This includes significant follow up reports

**APPENDIX A (continued)**

<b>Audit Area</b>	<b>Opinion</b>	<b>Follow Up Due</b>	<b>Days allocated</b>	<b>Days Taken</b>	<b>Variance %</b>
Contract Changes & Waivers	Yellow	March 2013	8.25 days	10.98 days	+33.1
Purchase ledger Follow Up	Yellow	N/a – will be followed up as part of the annual audit (due Q3)	n/a	n/a	n/a
Markets & Cash Collection follow up	Amber	January 2013	n/a	n/a	n/a
Young People In Transition & Enablement	Yellow	March 2013	9.25 days	11.23 days	+21.4
Treasury Management	Green	N/a	15 days	15.32 days	+2.13
Church Aston Infants School	Yellow	April 2013	6 days	5.14 days	-14.3
Council Tax	Yellow	2013-14 Annual Audit	20 days	17.17 days	-14.1
NNDR	Yellow	2013-14 Annual Audit	20 days	17.17 days	-14.1
St Peters, Edgmond	Green	April 2013	5.5 days	7.97 days	+44.9
Procurement – Contract Monitoring	Yellow	April 2013	8 days	6.55 days	-18.1
Teagues Bridge Primary School	Green	April 2013	5 days	7.47 days	+49.4
Wrekin View Primary School	Green	Not applicable	5.5 days	7.85 days	+42.7

+ = Various assurances split between the areas of work - Network Infrastructure – **Limited**; Virus Protection – **Reasonable**; Data Centre – **Reasonable**; Wireless Network - **Good**

\* - undertaken by Deloitte under specialist IT audit contract

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

<b>Audit Area - Quarter 2</b>	<b>Days</b>
16+ Commissioning	4
Abacus system review	4
Advice/Consultancy + organisational change	24
Arthog	5
Benefits - Workbook sample test	3.5
Car Parking Enforcement	2.5
Children's Placements	7
Church Aston	3
Continuing healthcare	2
Contract changes & waivers of SOs	2
Council Tax / NNDR	32
CRC Reduction	1.5
Email & Internet Filtering	2
Follow ups	6
Foster carers recruitment campaign	5
Fraud & Compliance Checks	1
Geographical Information System	3.5
HR Allowances	2
Insurance contract	1
Oakengates Tennis contract	1
Procurement	5
Property & Design Helpdesk	4
Purchase Ledger	2
Recruitment	5
Sales Ledger	12
St Peters Edgmond	6
Supportive Lodgings	7
Teagues Bridge	6
Teenage pregnancy Governance	4
Treasury Management	14.5
Wellington Office & Leisure	4
Office Organisation	2
Public Health Transfer	6
Ombudsman Complaints	4

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

<b>Audit Area - Quarter 3</b>	<b>Days</b>
Abraham Darby Leisure Centre	13
Arthog	10
Car Parking Enforcement	2
Cash Collection - general	14
Children's Placements	6
Church Aston	2
Continuing healthcare	2
Council Tax / NNDR	3
Electronic Client Records	3
Email & Internet Filtering	1
Follow ups	2
Fraud & Compliance Checks	2
HR/Payroll	6
ICT Governance of projects	1
Integrated Benefits System	13
Lilleshall Primary	7
National Fraud Initiative	2
Newport Infants	7
Procurement	1
Property & Design Helpdesk	6
Pupil Tracking	2
Purchase Ledger	2
Sales Ledger	28
Shortwood School	4
St Peters Edgmond	2
Teagues Bridge	1
Term Contract / Service Contracts	4
Transparency Agenda	1
Wellington Office & Leisure	2
Wrekin View	7
Homelessness Thresholds	1
Advice/Consultancy + organisational change	24
Early Intervention imprest check	3
Foster Carers Form F review	4
Office Organisation	6
Public Health Transfer	9
Ombudsman Complaints	1