

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30th JUNE 2014

INTERNAL AUDIT UPDATE REPORT – QUARTER FOUR 2013/14

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarter four January – March 2014.

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 2014.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 17th September 2013 – Internal Audit Quarter 1 and IG Update Report
Audit Committee 28th January 2014 – Quarters Two and Three 2013/14

5 INTERNAL AUDIT UPDATE INFORMATION

- 5.1 The report provides information on the work of Internal Audit from 1st January – 31st March 2014 and provides an update on the progress of previous audit reports issued (October 2011 to December 2013).
- 5.2 The key focus for the team during quarter 4 has been the completion of the fundamental audits and other work identified from the 13/14 annual plan. In addition the restructure closed on 14th January 2014 and was confirmed on 17th January 2014 and recruitment has now been completed.
- 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 October 2011 to December 2013 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 and red reports issued in quarter four.
- 5.4 Appendix A shows 30 reports were issued in quarter four. 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
St Mary's Catholic Primary School	-20%	School well prepared
Council Tax and NNDR	-28%	Due to undertaking the audits together and seeing staff just once has reduced the time required
Coalbrookdale & Ironbridge C of E Primary School	-20%	School well prepared
Fleet management	-30%	Scope reduced due to Transport review in progress
Housing benefits & Council tax Support Scheme	-14%	Due to new local scheme difficult to plan how many days would be needed
Impulse	-41%	Testing took less time than planned
ICT Contract Monitoring	-15%	Testing took less time than planned
Crudgington Primary School	-24%	Small school and well prepared
St Luke's Catholic Primary School	-26%	School well prepared
Emergency Planning - Public Health	-33%	Reduced testing as responsibility lies with Local Resilience Forum
Cash Collection	-25%	Testing took less time than planned
Meadows Primary School	-45%	School well prepared
Oakengates Children's Centre	+24%	New SDM in post so had some difficulty finding the information. Also large volume of income to test.
Ironbridge Park & Ride	+14%	New contract
Education Catering & Cafe Go	+100%	Additional testing undertaken due to VAT issues and new set up of Cafe Go.
Dawley Primary	+51%	Audit requested by Interim Head, School Improvement and Finance due to Ofsted concerns. Therefore school not well prepared.
Wellington Leisure Centre & Cafe	+44%	Updated scope and programme and looked at standard procedures that applied across all centres

The reasons for the positive and negative variances are as explained above but generally during the last two quarters we have undertaken the audits below the time resources allocated. Time allocations for 2014/15 will be reviewed based on this information.

5.5 From Appendix A there were six Amber reports issued during quarter 4 and two Red reports – Oakengates Children's Centre and Dawley Primary School. Summary information is provided in Appendix D. For the two red reports the Oakengates Children's Centre follow up has already been undertaken and progress has been made to move the report to Yellow. The Dawley Primary School follow up is currently underway. For all the six audits issued as Amber 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.

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

Audit Area	Days	Explanation
Advice & Consultancy	12	Due to restructures, reductions in budgets and the implementation of revised governance, systems and procedures service areas are continuing to seek advice and support.
Dawley C of E Primary School	11	Audit requested and school were not well prepared

HR/Payroll	20	Fundamental system
Main accounting systems	22	Fundamental system
P2P (Purchase Ledger)	23	Fundamental system

5.7 From Appendix C the position on reports which remain amber are as shown in the table below:

No	Area Audited	Original grade	Revised grade	Current position/comments
1.	Abacus system & Concerns	Amber	Red/ Amber	Update provided to Chair of the Audit Committee in April 2014 and update to this Committee. Audit & IG SDM also providing support to ensure systems and processes are adequate.
2.	Car Parking	Amber	Superseded	New contract now in place and recommendations will be reviewed against contract compliance audit (part of annual procurement work).
3.	Transport PIR	Amber		Follow up in progress so will be reported to next Audit Committee
4.	Moorfield Primary School	Red	Amber	Improvements have been identified in the completed follow up so changed to Amber. Next review June/July 2014.
5.	Service User Journey	Amber		Follow up in progress so will be reported to next Audit Committee

5.8 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 & IG have attended appropriate training. If any such issues arose during an audit review they would be notified to the appropriate manager.
Environmental Impact	All members of Audit & IG 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 Public Sector Internal Audit Standards (which are the defined proper practice). 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 planning process. Where high risks are identified then Audit Services undertakes work as a priority and maybe 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 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 2013/14 and Charter

Report by Jenny Marriott, Audit & Information Governance Manager 383101

FINAL REPORTS ISSUED QUARTER FOUR – JANUARY TO MARCH 2014

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
St Mary's Catholic Primary School	Yellow	July 2014	7.5	6	-20%
Council Tax & NNDR	Yellow	2014/15	35	25	-28%
Coalbrookdale and Ironbridge CofE Primary School	Amber	June 2014	7.5	6	-20%
Wrockwardine Wood Infants School	Green	N/a	7.5	6.5	-9%
Oakengates Children's Centre	Red	April / May 2014	7.25	9	+24%
Sales Ledger	Yellow	Annual Audit	22	23	+4%
Fleet management	Green	N/a		3.5	-30%
Contract Life Cycle	Yellow	July 2014	5.50	6	+9%
Anti-virus & Malware	Green	N/a	*	*	*
Service Delivery Strategy (Schools)	Green	N/a	*	*	*
Website Hosting	Green	N/a	*	*	*
Housing Benefits & Local Council Tax Support Scheme	Yellow	Annual Audit	43.25	37	-14%
Ironbridge Park & Ride	Yellow	June 2014	7	8	+14%
Impulse	Amber	August 2014	5.13	3	-41%
Contract Management (Revs & Bens)	Yellow	August 2014	5.50	6	+9%
ICT Contract Monitoring	Amber	May 2014	8.25	7	-15%
Minimising Empty Properties	Amber	July 2014	6	6	NIL
Crudgington Primary School	Yellow	July 2014	7.25	5.5	-24%
St. Luke's Catholic Primary School	Yellow	Sept 2014	7.5	5.5	
Emergency Planning – Public Health	Green	N/A	6	4	-33%
Education catering Cafe Go	Yellow Amber	Sept 2014 June 2014	9.5	20	+110%
Dawley Primary	Red	June 2014	7.25	11	+51%
Family Connect	Yellow	Sept 2014	10	10	NIL
School Improvement Traded Services	Yellow	Sept 2014	7	7.5	+7%
Wellington Leisure Centre & Cafe	Yellow	Sept 2014	8	11.5	+44%
Cash Collection	All 4 yellow	August 2014	20	16	-25%
Meadows Primary	Yellow	Sept 2014	7.25	4	-45%
Foster Homes Annual Review Report	Amber	July 2014	+	4	

* Review undertaken under specialist IT audit contract.

+ Additional work so days taken from contingency

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

Audit Area	Days
Abacus Special Review	1
Advice & Consultancy	12
ASC Complaint support	1
Burton Borough - Catering Process Review	1
Cash Collection	6
Catering review including Cafe Go	4
Contracts Life Cycle	1
Corporate Leisure	1
Crudgington Primary School	5
Dawley C of E Primary School	11
Emergency Planning - Public Health Resilience	1
External Audit liaison and associated issues	4
External IT Audit Contract Management	3
Family Connect workflow process	3
Flex/Clarity System review	5
Follow ups	7
Foster Home Review Reports	4
Governance	1
Housing Benefits (Inc Welfare Reforms)	2
HR/Payroll	20
ICT Contract monitoring	1
John Randall Primary School	6
Local Transport Sustainable Fund	1
Main Accounting	22
Meadows Primary School	4
Minimising Empty Homes	4
Moorfield Primary School	3
Oakengates Children's Centre	1
P2P (Purchase Ledger)	23
Park & Ride - Contract / Cash collection	1
Personal Budgets Support Team	1
Revs & Bens Contract monitoring	1
Sales Ledger	1
School Financial Regulations update	2
School Improvement Team Process	5
Shared Lives	4
Sir Alexander Fleming Primary School	4
Special Guardianship	1
St Lukes RC Primary School	5
Troubled Families Grant	2
Wellington Civic Leisure Centre	3
Wrockwardine Wood Infants School	1