

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 28th JANUARY 2014

INTERNAL AUDIT UPDATE REPORT – QUARTERS TWO AND THREE 2013/14

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 2013.

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 2013.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 29th January 2013 – Internal Audit Update Report – Quarters Two & Three 12/13
Audit Committee 25th June 2013 - Internal Audit Quarter 4 Update report
Audit Committee 17th September 2013 – Internal Audit Quarter 1 and IG Update Report

5 INTERNAL AUDIT UPDATE INFORMATION

- 5.1 The report provides information on the work of Internal Audit from 1st July – 31st December 2013 and provides an update on the progress of previous audit reports issued (October 2011 to June 2013).
- 5.2 The key focus for the team during quarters 2 and 3 has been the commencement of the fundamental audits and completion of other areas of work identified from the 13/14 annual plan. In addition resources have been used in respect to the development of savings proposals and a restructure was launched on 26th November 2013 which closed on 14th January 2014.
- 5.3 The Audit Committee's terms of reference were updated in November 2013 to include under the Governance section – "To consider the effectiveness of the Council's governance processes and their compliance with legislation and best practice including:

c) oversight of the Commercial Board;

Internal Audit in their plan have scheduled in work to assist the Committee in fulfilling these requirements. The update is provided as part of this report by Internal Audit but the Managing Director/ Co-operative & Commercial Projects Service Delivery Manager will attend the June 2014 Audit Committee meeting to provide further updates and assurance in respect to the projects being managed by the Commercial Board.

5.4 Currently the Commercial Board is managing the following projects:

- **Housing development** – planning to build over 550 new homes for the private rental market on Council-owned land over the next 3 years. As well as providing a new income source for the Council, the development will also help to create new jobs in the local construction industry and supply chain.
- **Energy** – a number of renewable energy generation projects including:
 - (a) plans to develop a commercial-scale solar farm and to install roof-mounted solar panels on a number of Council buildings. As well as generating income, which is guaranteed by the Government for a 20-year period, these projects will deliver significant environmental benefits.
 - (b) Business Switch and Save – the Council is working in association with “Make it Cheaper” to help local businesses switch energy suppliers and save money and make a small commercial return to the Council
- **Everyday Telford app** – following the successful launch of the new Everyday Telford app, the Council has entered into a commercial partnership agreement with the app developer, who is based in the Borough, to help them market and sell the app to other councils and public sector organisations.
- **Extending the provision of Council services** – the Council continues to seek to generate additional income through the provision of Council services to schools and other organisations, both within and outside the Borough. For example, we have recently won contracts to provide catering services to 6 private pre-schools in the Borough and have recently launched our property and design service to residential and business customers.

5.5 The following internal audit update report appendices are attached:

- i) **Appendix A** – List of final reports issued in quarters two and 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 quarters two and three for a period of 1 day or more.
- iii) **Appendix C** - Previous graded reports from October 2011 to June 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 quarters 2 and 3.

5.6 Appendix A shows 29 reports were issued in quarters 2 and 3. 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
Homer Lake Primary School	-30%	School well prepared and organised enabling efficiencies.
Disabled Facilities Grant	-13%	Staff well organised and available throughout the audit
Hollinswood Primary School	-36%	School well prepared and organised enabling efficiencies.
William Reynolds Primary School	-12%	School well prepared and organised enabling efficiencies
Uniform System	-25%	Well prepared for audit with required information readily available.

Area	Variance (> +/- 10%)	Reason
Transport PIR	-12%	Days allocated prior to full understanding of audit and service area requirements.
Protocol System	-48%	Well prepared for audit with required information readily available.
Verification of KPI's – Health check	-43%	Limited supporting evidence available therefore testing reduced.
Local Crisis Resettlement Assistance	-38%	Staff readily available and information provided at start of the audit.
I World system review	-19%	Well prepared for audit with required information readily available.
Postal Arrangements	-29%	Staff able to dedicate time to auditor and information was also readily available.
Telford Snowboarding & Ski Centre	+14%	Due to time elapsed since previous audit a number of issues were identified.
Children's Brokerage	-42%	Tender processes streamlined as framework used and readily available information.
Treasury management	-46%	No changes since previous audit so reduced time required.
Out of Area Children's Placements	+13%	New audit area and more complicated than anticipated.
Service User Journey	-22%	Following consultation with the service area combined a number of audits and therefore resource efficiencies
Old Park Primary School	-16%	School well prepared and organised enabling efficiencies.
Madeley Nursery School	-30%	School well prepared and organised enabling efficiencies.
Lawley Primary School	+28%	Budget allocated lower than other schools so actually only slightly over.

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.

5.7 From Appendix A there were seven Amber reports issued during quarters 2 and 3 and two Red reports – Abacus Concerns and Moorfield Primary School. Summary information is provided in Appendix D. The William Reynolds School audit has already been followed up and the grading has improved to Green. The Back Up and Disaster Recovery review has also been followed up and the grading has improved to Yellow. For the other audits 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.

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

Audit Area	Days	Explanation
Advice & Consultancy	28	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	16	Testing from a range of schools and reviewing cashless system procedures.
Council Tax	16	Fundamental system
Housing Benefits including Welfare Forms & the Local Council Tax Support Scheme	34	Fundamental system and new Council scheme for Council Tax support.
Moorfield Primary School	12	Normal audit extended due to investigation into potential loss of income undertaken
Sales Ledger	23	Fundamental system

- 5.9 From Appendix C there are currently three original amber reports that remain amber – Car parking, Temporary Accommodation and Electronic Client record. Follow up's are all in progress for these areas. The original Abacus report remained Amber but from Appendix A members will note that extended work has been undertaken in this area which has resulted in a red grading for this area (see Appendix D for more information).
- 5.10 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 Public Sector Internal Audit Standards. 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 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 QUARTERS TWO AND THREE – JULY TO DECEMBER 2013

Audit Area	Opinion	Follow Up result or Date Due	Days allocated	Days Taken	Variance %
Holmer Lake Primary School	Yellow	January 2014	7.25	5.04	-30%
Disabled Facilities Grants	Yellow	January 2014	8.75	7.64	-13%
High Ercall Primary School	Yellow	January 2014	7.25	7.39	+2%
Hollinswood Primary School	Yellow	January 2014	7.25	4.04	-36%
William Reynolds Primary School	Amber	October 2013	7.25	6.49	-12%
Network Infrastructure Follow Up	Various – Yellow / Green / Green	February 2014	*	*	*
Uniform System	Yellow	January 2014	5	3.75	-25%
Remote Working	Yellow	January 2014	*	*	*
Back Up & Disaster Recovery	Amber	November 2013	*	*	*
Transport PIR	Amber	February 2014	7.25	6.47	-12%
Protocol System	Yellow	February 2014	8.25	4.36	-48%
Verification of KPI's – Health check ¹	N/A	December 2013	3.75	2.13	-43%
Deprivation of Liberty Safeguards	Yellow	December 2013	3.13	3.09	-1%
Local Crisis Resettlement Assistance	Yellow	February 2014	21.50	13.3	-38%
I World	Yellow	February 2014	10	8.11	-19%
Postal Arrangements	Yellow	March 2014	10.63	7.55	-29%
Abacus concerns+	Red	Dec 2013/ January 2014	From contingency	13.49	N/A
Telford Snowboarding & Ski Centre	Amber	February 2014	8.88	10.19	+14%
Children's Brokerage	Yellow	March 2014	9.75	5.59	-42%
Asset Register Review	Amber	March 2014	7.78	8.50	+9%
Treasury management	Green	N/a	10.25	5.54	-46%

¹ Health checks are undertaken at the request of the service area and recommendations are made to make improvements in the area which are followed up and any concerns would be raised with senior management

Audit Area	Opinion	Follow Up result or Date Due	Days allocated	Days Taken	Variance %
Moorfield Primary School+	Red	January 2014	7.25 plus contingency	19.59	N/A
Out of Area Children's Placements	Amber	January 2014	7.75	8.77	+13%
Service User Journey	Amber	March 2014	24.75	19.41	-22%
Old Park Primary School	Yellow	March 2014	6.13	5.17	-16%
Madeley Nursery School	Yellow	May 2014	8.00	5.61	-30%
Lawley Primary School	Yellow	May 2014	6	7.67	+28%
Dothill Primary School	Green	N/a	7.13	7.13	0%
Short breaks	Yellow	May 2014	6	5.79	-3%

* Review undertaken by Deloitte under specialist IT audit contract.

+ Additional work so days taken from contingency

QUARTERS TWO AND THREE - AREAS WHERE WORK UNDERTAKEN HAS BEEN FOR MORE ONE DAY OR MORE

AUDIT AREA	DAYS
Abacus Follow Up and Extended Review	4
Advice & Consultancy	28
ASC Complaint Support	3
Asset Register Review	6
Cash Collection	9
Catering	16
Children's Commissioning	2
Coalbrookdale & Ironbridge Primary School	6
Constitution review	1
Contracts Life Cycle	5
Council tax	16
Dothill Primary School	7
Downing House Imprest	2
Emergency Planning - Public Health Resilience	3
Family Connect workflow process	6
Fleet Management process	3
Follow ups	10
High Ercall Primary School	1
Hollinswood Primary School	4
Holmer Lake Primary School	1
Housing Benefits (Inc Welfare Reforms) & Local Council Tax Support Scheme	34
ICT audit contract procurement process and set up	5
ICT Contract monitoring	6
Impulse – children's admissions system	2
Iworld System Review	4
Lawley Primary School	8
Local transport grant	1
Madeley Nursery	1
Minimising Empty Homes	2
Moorfield Primary School	12
NNDR	7
Oakengates Children's Centre	9
Old Park Primary School	5
Ombudsman Complaints	9
Out of Area Children's Placements	9
Park & Ride - Contract / Cash collection	7
PI Verification	1
Postal Systems	2
Protocol system - review	2
R&B Contract life cycle review	5
Review of School Audit programme	3
Sales Ledger	23
School Improvement Team Process	3
Service User Journey	10
Short break - Disabled / respite & short Breaks	6

APPENDIX B (continued)

AUDIT AREA	DAYS
Ski Centre	10
Social Fund - Local Crisis assistance	8
Special Guardianship	2
St Marys Primary School	6
Treasury Management	5
Troubled Families Grant	4
Uniform	1
Voluntary Sector Contracts /Agreements	1
Wellington Civic Leisure Centre	9
William Reynolds Primary School	6
Wrockwardine Wood Infants School	6