

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 25th SEPTEMBER 2012

INTERNAL AUDIT AND INFORMATION GOVERNANCE UPDATE REPORT

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarter one – April – June 2012 and the work of Information Governance for April to August 2012.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the information in this Internal Audit and Information Governance 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 one 2012/13 – April to June 2012.
- 3.2 The Audit Committee also agreed to receive a 5 month report in September of each year in respect to Information Governance activity and an annual report in the following June (for the full year including September to March).

4 PREVIOUS MINUTES

- 4.1 Audit Committee 31st January 2012 – Internal Audit Quarter 3 Update report 2011/12 and Information Governance Update April – December 2011.
Audit Committee 26th June 2012 – Internal Audit Quarter 4 Update report and 2011/12 Internal Audit, Risk and Information Governance 2011/12 Annual report.

5 INTERNAL AUDIT QUARTER ONE UPDATE (APRIL - JUNE 2012)

- 5.1 The report provides information on the work of Internal Audit during January to the end of June 2012 and provides an update on the progress of previous audit reports issued (July 2009 to March 2012).
- 5.2 A new Internal Audit Team Leader commenced employment with the Council in early April (following the previous incumbent leaving for another authority). There has therefore been familiarisation and induction into the Council during the quarter. In addition the Audit & Assurance team Phase 2 restructure was launched on 25th April 2012 for a 90 day consultation period ending on 24th July 2012. During the period the Audit & Assurance SDM has become involved with the transfer of the Public Health function to the local authority and has been identified as the work stream lead for Governance, Information Systems and Assurance. This work will continue through the year.
- 5.3 The following internal audit update report appendices are attached:

- i) **Appendix A** – List of final reports issued in quarter 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 quarter one of 1 day or more.
- iii) **Appendix C** - Previous graded reports from July 2009 to March 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 quarter 1.

5.4 Appendix A shows 9 final reports were issued in quarter 1. The areas shown in this table below varied from the allocated time by more than +/- 5% for the reasons highlighted.

Area	Variance (> +/- 5%)	Reason
Hospital Discharge Review	-31%	New area and over estimate of time required for testing.
Purchase Ledger	+13.5%	Although additional time had been allocated as it was a new system due to system issues it took longer to fully understand the system process and methods of working. Some additional testing was also carried out.
Markets and Cash Collection	-11%	First time the audit has been undertaken and over estimated the extent of work required.
Planning Application Fees	+108%	This area had not been audited recently resulting in an under estimate of the time due to extent of testing required.
Building Control Fees	+81%	This area had not been audited recently resulting in an under estimate of the time due to extent of testing required.
The Bridge School	-20%	Very well prepared.
Aqueduct School	-9%	Prepared and limited queries.

The reasons for the positive and negative variances are as explained and time allocations during 2012/13 will be reviewed based on this information.

- 5.5 Areas of more than 10 days in Appendix B are explained below:
- a) Advice & consultancy – due to all the restructures and implementation of revised governance, systems and procedures service areas are seeking advice.
 - b) AGS assurance and certification – this work is undertaken to support the Annual Governance Statement.
 - c) Town Park Visitors Centre – as this was a new establishment the extent of the work was more than had been estimated (8 days).
- 5.6 From Appendix C there is currently one original amber report that remains amber – the Abacus review. Some progress was identified when the follow up was undertaken but insufficient to change the grade. A further review will be undertaken in quarter 4 and the results of this will be reported to members.
- 5.7 There were two amber reports issued during quarter 1 – Markets and Cash Collection and Purchase Ledger. Summary information is provided in Appendix D. Management actions to implement recommendations have been agreed and Internal Audit has reviewed progress in respect to the Purchase ledger and can report good progress. Follow up work in respect to the Markets report is in progress. Internal Audit is confident that management will implement the remaining recommendations to provide appropriate assurance.

5.8 All areas reported on during the quarter not highlighted in this report 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 INFORMATION GOVERNANCE UPDATE – APRIL – AUGUST 2012

6.1 Work programme – the progress against the Information Governance work programme is shown in **Appendix E**.

6.2 The Council has received 216 FOI/EIR requests for the period 1/4/12 – 31/8/12. 85% of these requests have been responded to within the 20 working day statutory period; this is against the Information Commissioners benchmark of 80%. It takes on average 13 days to respond to each request we receive.

6.3 For the same period we had received 24 Subject Access Requests (SARs) under the Data Protection Act 1998. Of the 24 received, 6 requests are on hold pending confirmation of identification and/or other information. The current response rate for subject access requests is 68% (compared to the Information Commissioners benchmark of 80%). It takes on average 31 days to respond to each request. The response rate reported for the period has been affected by the complexity and volumes of requests received, implementing the new structure, unscheduled leave and sickness. We have implemented changes to the processes including monitoring of responses to strive for improvements in response rates.

6.4 Also in this period we have received and responded to 5 appeals from requestors who were not satisfied with the response they received to their information request. In our responses to information requests we provide requestors with details on how they can make an appeal in compliance with relevant information rights legislation. The Audit & Information Governance Manager hears all appeals received.

6.5 We have also received and responded to a complaint from the Information Commissioners Office (ICO). Following response and appeal the requestor, if still not satisfied can refer the Council to the ICO. After providing additional information requested by the ICO the Complainant and ICO were happy with the resolution of this complaint.

6.6 In this period we have had 25 confirmed data breaches. None of the breaches met the Information Commissioners rationale for reporting serious breaches to them. We are continuing to work with service areas to ensure they improve procedures and where appropriate take disciplinary action where breaches have occurred. The table over the page shows a summary by type of the confirmed data breaches and the number of subsequent formal complaints received.

Category/Type	Number of cases (%)	Number of Formal ¹ Complaints received from Data Subjects
Information accidentally sent/made available to the incorrect recipient	23 (92%)	7
Information lost or stolen	2 (8%)	1
Total	25	8

6.7 On the 28 May 2012 the Information Commissioner (ICO) confirmed its intention, after assessing the Council's representations and appeal, to serve a Monetary Penalty Notice of £90,000 in respect to 2 data breaches previously reported to them by the Council in 2011. The Council obtained a 20% discount from the ICO for payment within 28 days and therefore paid £72,000 to the ICO. The lessons learnt from these incidents have previously been reported to the Committee and the majority have already been implemented by the appropriate service areas.

7 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	All members of Audit & Assurance are environmentally aware and if any issues were identified they would be notified to the appropriate manager.
Legal Implications	<p>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.</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> <p>A person dissatisfied with the Council's response to an FOI or DPA request can complain to the ICO who can investigate and if necessary take enforcement action against the Council. As previously reported, the ICO can issue Monetary Penalty Notices for breaches of data protection.</p>
Links with Corporate Priorities	The audit plan is linked to corporate priorities through the risk management process. Where high risks are identified then Audit Services undertakes work on a more regular basis.
Risks and Opportunities	<p>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.</p> <p>Internal Audit staff under the supervision of the Assistant Director Finance, Audit & IG annually review the Council's risk management process and have concluded that it is operating effectively.</p>

¹ Formal complaint = a formal complaint made, logged and processed through the Council's Complaints procedure

Financial Implications	Where recommendations are made by Audit Services, if possible, cost/savings implications are identified. There are no specific budgets identified to cover fines from the ICO, therefore the £72k fine incurred in 2012/13 has had to be a call on the central contingency.
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.

8 **BACKGROUND PAPERS**

Annual Audit Plan 2012/13 and strategy

Information Governance Work programme

Report by Jenny Marriott, Audit & Assurance Manager 383101

FINAL REPORTS ISSUED QUARTER ONE – APRIL – JUNE 2012

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Hospital Discharge Review	Yellow	October 2012	10	6.9 days	-31%
Purchase Ledger	Amber	June 2012	40	45.4 days	+13.5%
Payroll/HR	Yellow	Annual Audit	30	30.5 days	+1.6%
Email Arrangements	Yellow	August 2012	*	*	*
Markets & cash collection	Amber	August 2012	11.75	10.5 days	-11%
Planning Application Fees	Yellow	November 2012	10	20.8 days	+108%
Building Control Fees	Yellow	September 2012	8.75	15.8 days	+81%
The Bridge School	Green	November 2012	8.25	7 days	-20%
Aqueduct School	Green	Not required	8.25	7.5 days	-9%

* - undertaken by Deloitte under specialist IT audit contract

QUARTER 1 - AREAS WHERE WORK UNDERTAKEN HAS BEEN FOR ONE DAY OR MORE

Audit Area	Days
16+ Commissioning	7
Abacus system review	4
Accommodation project assurance	1
Advice/Consultancy	23
AGS assurance & certification	11
Aqueduct School	7
Bank contract review	4
Building control fees	10
Building Schools for the Future - Project Assurance	3
Children's Placements	2
Contract changes & waivers of SOs	8
Carbon Reduction Return	4
Customer Relationship Management	1
Delivery & Planning - Information Audit	1
ICT Infrastructure review	1
Education liaison/dev groups	1
Email & Internet Filtering	2
Family Connect	1
Follow ups	7
Fraud & Compliance Checks	7
HR Allowances	8
HR/Payroll	2
ICT Procurement	2
Information Sharing - Advice & Guidance	2
Insurance	6
Main Accounting	4
Markets & Cash collection	1
N3 Connection	1
Oakengates Tennis contract	10
PFI facilities management contract review	2
Planning Applications review	2
Purchase Ledger	4
Replacement Jacobs/consultancy contract	2
Risk management	1
Safe checks	2
Sales Ledger	2
School Funds	1
Security review	3
Social Care ICT Service Review	1
Town Park Visitors Centre	11
St Lawrence Primary School	4
St Peters & Pauls School	6
Stage 1 Complaints - Correspondence Checks	2
The Bridge Special school	6