TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 26th MARCH 2013

INTERNAL AUDIT PLAN and CHARTER 2013/14 and INFORMATION GOVERNANCE WORK PROGRAMME 2013/14

REPORT OF THE CHIEF FINANCIAL OFFICER AND THE AUDIT & IG MANAGER

1   PURPOSE

1.1   To seek the approval of Members of the Audit Committee to the Internal Audit Plan and Charter for 2013/14 and for them to note the contents of the Information Governance Work programme 2013/14

2   RECOMMENDATIONS

2.1   That Members of the Audit Committee:

a)   approve the Internal Audit Plan and Charter for 2013/14 attached as Appendices A and B; and

b)   note the Information Governance work programme for 2013/14 attached as Appendix C.

3   SUMMARY

3.1   The terms of reference of the Audit Committee include:
"The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan". This report presents the Internal Audit Plan and Charter for 2013/14 for approval.

3.2   The Chief Financial Officer (CFO) has responsibilities under s 151 of the Local Government Act 1972 and the Accounts and Audit (England) Regulations 2011as follows:

Internal audit
*   6. A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.*

3.3   Under the same regulations Internal Audit provide part of the assurance on the Council's internal controls reported within the Annual Governance Statement which accompanies the accounts. The CFO is therefore responsible for ensuring that the internal audit plans coverage is appropriate and sufficient to meet all these obligations.

3.4   The Internal Audit standard setters for local government are CIPFA and from the 1st April 2013 the Public Sector Internal Audit Standards will replace the existing Code of Practice. One of the requirements of the standard is for Internal Audit to have a Charter that defines the internal audits activity's purpose, authority and responsibility. Internal Audit has previously had a Strategy which was approved by the Audit Committee and incorporated some of these requirements. To avoid having an additional document the strategy has been reviewed, updated and renamed the Internal Audit Charter to include these requirements.

3.5   The terms of reference of the Audit Committee also include Governance responsibilities including:

Consider the effectiveness of the Council's governance processes and their compliance with best practice including:
*   a)   the Council's Code of Corporate Governance;*

> b)   *the Council's information security framework;*
> c)   *the management of opportunities and risks; and*
> d)   *other corporate governance arrangements.*

Consider the effectiveness of the control environment including reviewing the Council's Code of Corporate Governance and other corporate governance arrangements to ensure compliance with best practice.

3.6   Information Governance is a key part of the Council's corporate governance arrangements. Members received a work programme for 2012/13 and an update report In September 2012. The annual report for 2012/13 will be presented to the June 2013 Audit Committee. This report includes the Information Governance 2013/14 work programme for noting by the Committee. Progress against this programme will be reported to the Committee in September 2013. These arrangements contribute to the assurance provided to the Committee on the Council's information governance arrangements.

4   <u>PREVIOUS MINUTES</u>

Audit Committee 27th March 2012 (2012/13 Internal Audit Plan and Strategy and Information Governance Work Programme 2012/13)

5   <u>INFORMATION</u>

5.1   Internal Audit has a statutory obligation under legislation outlined in paragraph 3.2 above and also strives to provide a quality and up to date service for the Council.

5.2   Internal Audit work, in addition to obtaining assurance on controls for the Council, aims to challenge where controls are not required or make suggestions for adjustments to existing controls to make processes more efficient so that managers and their teams can achieve their objectives and contribute to the achievement of the Council's priorities. This is part of the Council's corporate governance framework and the effective management of risks.

5.3   Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance[1] to managers, Members and the Council as a whole on the internal control arrangements, an annual programme of work (annual Audit Plan) is developed.

5.4   In accordance with good practice, Internal Audit planning should be directly linked to the Council's objectives and priorities. This base is then informed and influenced by previous Internal Audit work, requirements of the External Auditor, external networking intelligence, discussions with the CFO and consultations with the Council's service area management teams and the Senior Management Team.

5.5   The draft plan attached as Appendix A (with more detail for the ICT audit work attached as Annex 1 to Appendix A) has been drawn up based on the internal and external audit resources available for 2013/14 (see 5.6 below), the factors in paragraph 5.4 above and detailed discussions with the CFO. The resultant plan provides reduced but reasonable assurance on the areas outlined. It also includes all the work identified by the external auditor that can be undertaken by Internal Audit to meet their requirements. If this was not included then the external audit fee would increase significantly (by approximately over £100,000).

5.6   The planned resources for 2012/13 were 1032 days plus 58 days external specialist ICT audit work. For 2013/14 the resources available are 931 days plus 45 days specialist ICT audit work. This is a reduction of just over 10% compared to 2012/13 as previously notified to the commiittee. This is due to the need for additional savings to support the 2013/14 budget strategy including a

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[1] Internal audit can only provide reasonable and not absolute assurance due to undertaking the work at a moment in time and with limited resources.

reduction in the Audit & IG Managers hours and the removal of some resources previously provided by the Information Governance team (due to reduced resources in this area).

5.7　Based on good practice the plan includes just under an 8% contingency to meet any unexpected work requirements, any changes identified during the year or changes to resources during the year. Due to the nature of the plan and its link to risks, during delivery there will be regular dialogue with the CFO, SMT and managers to ensure that the appropriate risks and controls are being reviewed, maximising the use of resources. Any significant changes will be agreed with the CFO and SMT and reported to this Committee.

5.8　The external auditor undertakes their own planning process and presents their plan to the Audit Committee. Internal Audit and Senior Management liaise with them to ensure that duplication is avoided, that the key risks are reviewed and that the external audit fee is minimised.

5.9　Members should note that specialist ICT audit work at the Council is provided by an external contractor. The current contract with Deloitte's come to an end on 31st March 2013. The Council has joined up with Staffordshire County Council, Shropshire Council and Worcestershire Council in a joint procurement process for specialist IT and general audit work. This is saving the Council money in that Staffordshire are leading on the procurement process. This new contract will be effective from August 2013 and it is anticipated that due to the combined volume of work the fees agreed should be very competitive.

5.10　As outlined in paragraph 3.4 the new Public Sector Internal Audit Standards require the Council to have an Internal Audit Charter. The draft Charter for 2013/14 (attached as Appendix B) expands on the existing strategy and will be reviewed annually. It sets out Internal Audit's purpose, authority and responsibility in addition to the resources and reporting arrangements.

5.11　As outlined in paragraph 3.5 the Committee also considers the effectiveness of the Council's information governance arrangements. The Information Governance work programme for 2013/14 (attached as Appendix C) is presented for noting. Progress against this programme will be reported to the September 2013 meeting.

6　**OTHER CONSIDERATIONS**

AREA	COMMENTS
Equalities	During audit work any equality issues identified are reported to the appropriate level of management. The strategy recognises the Council's obligations under Equalities legislation and internal policies and how Internal Audit will meet them.
Environmental or Sustainability Impact	During audit work any environmental or sustainability issues identified are reported to the appropriate level of management.
Legal Implications	The legal implications are contained within the main body of this report. Also included in the main body of the report is reference to the Public Sector Internal Audit Standards the mandatory best practice for all principal local authorities. The Internal Audit service will, where appropriate, review compliance with legislation as part of their work. In respect to the Information Governance team they are responsible for ensuring that the Council's Information Governance framework enables the Council to comply with relevant legislation including Data Protection Act 1998.
Links with Council Priorities	Internal Audit work through the plan and charter supports all services in the delivery of the Council's priorities. A sound Information Governance framework is also important in supporting the Council to deliver its priorities.
	The Internal Audit Service and Information Governance teams operate and

Financial Implications	deliver their plan, charter and work programme from within existing budgets.
Opportunities and Risks	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 (reducing risks) and therefore the delivery of services and the achievement of objectives. The Audit Plan will be flexible in order to reflect the changing risks and priorities of the Council and will have an ongoing dialogue with stakeholders. The Information Governance work programme assists the Council to identify the information risks and opportunities and makes recommendations to ensure risks are being appropriately managed by service areas.
Ward Implications	Internal audit and Information Governance work covers all wards within the Borough.

7   BACKGROUND PAPERS

Internal Audit Plan 2012/13
Internal Audit Strategy 2012/13
Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector
Networking and benchmarking information.
Information Commissioner's Office guidance

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