TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30th JUNE 2014

INTERNAL AUDIT PLAN and INFORMATION GOVERNANCE WORK PROGRAMME 2014/15

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 2014/15 and for them to note the contents of the Information Governance Work programme 2014/15.

2 RECOMMENDATIONS

2.1   That Members of the Audit Committee:

a)   approve the Internal Audit Plan 2014/15 attached as Appendix A; and
b)   note the Information Governance Work Programme for 2014/15 attached as Appendix B.

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 2014/15 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 2011 as 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 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)   oversight of the Commercial Board;
   d)   the management of opportunities and risks; and
   e)   other corporate governance arrangements.

3.5   Information Governance is key to the Council's information security framework which forms part of the Council's corporate governance arrangements. Members have received work programmes for previous years and this report presents the 2014/15 programme in Appendix B for information. Updates on progress will be provided to the September Audit Committee and in the Annual Report reported to the June Audit Committee.

4   PREVIOUS MINUTES

Audit Committee 27th March 2012
Audit Committee 26th March 2013

5   INFORMATION

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 key areas and 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 professional standards[2] and good practice, Internal Audit planning should be directly linked to the Council's objectives and priorities and be directed by the Charter agreed by this Committee in January 2014. The plan is 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 at the bottom) has been drawn up based on the internal and external resources available for 2014/15 (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 could increase significantly (by approximately over £100,000).

5.6   The planned resources for 2013/14 were 931 days plus 45 days specialist ICT audit work (total of 976 days). For 2014/15 the resources are 963 days plus 55 days specialist ICT audit work (total of 1018). This increase has been achieved by a restructure including removal of the Team leader post and replacing it with two full time auditor posts and half an apprentice. The increase in specialist IT audit days has been achieved by procurement savings arising from the Council entering into a framework agreement with Staffordshire, Shropshire and Worcestershire Councils.

5.7   Based on good practice the plan includes just over 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. Similar liaison takes place with Scrutiny to avoid duplication or to ensure work is complementary.

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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.
[2] Public Sector Internal Audit Standards

5.9   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 2014/15 (attached as Appendix B) is presented for noting. Progress against this programme will be reported to the September 2014 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. 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 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.
Financial Implications	The Internal Audit Service and Information Governance teams operate and deliver their plan 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 2013/14
Internal Audit Charter 2014/15
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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