

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 27th JANUARY 2015

**INTERNAL AUDIT UPDATE – QUARTERS TWO AND THREE 2014/15 AND UPDATE OF THE
INTERNAL AUDIT CHARTER FOR 2015/16**

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 For the Audit Committee to approve the Internal Audit Charter for 2015/16.
- 1.2 To update members on the work of Internal Audit during quarters two and three July – December 2014.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee approve the Internal Audit Charter 2015/16 (attached as Appendix A.
- 2.2 That members of the Audit Committee note the Internal Audit update information for quarters two and three 2014/15.

3 SUMMARY

- 3.1 Internal Audit has a statutory obligation under the Accounts and Audit (England) Regulations 2011 to follow proper practice – the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The PSIAS requires the Council to have an Internal Audit Charter.
- 3.2 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 updated Internal Audit Charter for 2015/16 (Appendix A) for approval. The 2015/16 Plan will be presented to the June 2015 Audit Committee.
- 3.3 The Audit Committee receives regular updates on the work of Internal Audit. This report provides the update report for 2014/15 in respect to quarters two and three – July – December 2014.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 28th January 2014 – Internal Audit Updates Quarters Two and Three 2013/14; Changes to the Internal Audit Charter 2014/15
Audit Committee 30th June 2014 – Quarter Four Update 2013/14 and 2013/14 Internal Audit and Information Governance Annual Report; Internal Audit Plan and Information Governance Work Programme 2014/15
Audit Committee 16th September 2014 – Internal Audit Quarter 1 Update 2014/15

5 INTERNAL AUDIT CHARTER 2015/16

- 5.1 As outlined in paragraphs 3.1 and 3.2 the PSIAS require the Council to have an Internal Audit Charter. The first Charter was approved for 2013/14 and it is reviewed annually as per the

Standards. Minor changes have been included in the 2015/16 Charter attached as Appendix A.

6 INTERNAL AUDIT UPDATE INFORMATION

- 6.1 The report provides information on the work of Internal Audit from 1st July – 31st December 2014 and provides an update on the progress of previous audit reports issued (April 2012 to June 2014).
- 6.2 The new structure within the Audit and Information Governance (IG) Team was effective from 1st April 2014 but one vacancy (for an Auditor post fixed term until September 2016 to cover for a secondment) is currently being covered by the appointment of a casual Auditor and use of our framework contract. Further recruitment will take place in February 2015.
- 6.3 The key focus for the team during quarters 2 and 3 has been the completion of work from the 2014/15 plan with priority being given to the key financial systems audits relied upon by External Audit for their final accounts audits. The Audit & IG Manager concluded the Adult Social Services (ASS) work completed by the end of July/August but has continued to provide advice and support with the implementation of revised processes.
- 6.4 The following internal audit update report appendices are attached:
- Appendix B** – 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.
 - Appendix C** – List of all work undertaken for quarters two and three for a period of 1 day or more.
 - Appendix D** - Previous graded reports from April 2012 to June 2014 with their current status. (Members should note that once reports have reached a green status and have been reported to members they are excluded from future reports).
 - Appendix E** – Summary of the red and amber reports issued in quarters two and three.
- 6.5 Appendix B shows 19 reports were issued in quarters two and three. For the final reports issued the time taken for the areas shown in the table below varied from the allocated time by more than +/- 10%.

Area	Variance (> +/- 10%)	Reason
Shared Lives	+110%	New area and request from service area so estimate not adequate for work required
Special Guardianship	-72%	Scope reduced when agreed with management
Treasury Management	-22.3%	Well organised and limited investment transactions
Dawley Primary School Follow up	+137%	It was a red report so follow up was a visit which including additional evidence requests. The estimate was therefore too low.
Telford Ice Rink	+99%	Large establishment and in addition estimate did not take account of review of some of the catering arrangements.
Hadley Learning Community School	+25%	Additional time partly attributable to training apprentice in processes.
Voluntary Sector Contracts & Agreements	+98%	Delayed by service area and team but testing across many services so was more complex than had anticipated.
Burton Borough School	-12%	School well prepared
Council tax/NNDR	-40%	Efficiencies due to one IT system.
Direct Payments	+195%	Scope extended to meet requirements of Adult

		Social Services review but estimate not changed.
Adults Safeguarding Policies & Electronic Records	+19%	Testing took longer than included in estimate.
Muxton Primary School	-17.5%	School well prepared.
Randlay Primary School	-12%	School well prepared.
Blessed Robert Johnson RC College	+137%	Additional work undertaken due to record keeping in respect to IT work and income.

The reasons for the variances are as explained above. The positive variances were identified early and managed to ensure added value. The plan was adjusted accordingly and some work has been reallocated to a casual auditor (appointed in October) or covered by the framework contract. Time allocations for future 2014/15 and 2015/16 audits will also be reviewed based on this information.

6.6 From Appendix B there were five Amber and three Red reports issued during quarters two and three. Summary information is provided in Appendix E. For these Amber and Red reports management actions and time scales have been agreed to implement the recommendations. The follow up for Queenswood School is now complete and the grading has moved from Amber to Green. The follow up for Shared Lives is in progress and the work to date demonstrates good improvements. In the other areas follow up work is planned or is about to commence. Internal Audit is confident that management will implement the remaining recommendations to provide appropriate assurance and improved controls.

6.7 Areas of more than 10 days from Appendix C are explained below:

Audit Area	Days	Explanation
Adult Social Care review	16	Support on financial process review
Advice & Consultancy	56	Continued advice and guidance sought due to more commercial approach and staff new to roles and responsibilities due to restructures
Blessed Robert Johnson School	24	Issues with income in respect to ICT work for other schools
Council Tax/NNDR	17	Fundamental system
Housing and local Council tax benefit	22	Fundamental system
Mount Gilbert School	18	Issues with imprest account and income
Purchase Ledger	25	Fundamental system
Personal Budget Support team	11	Scope extended to support ASC review
Sales Ledger	25	Fundamental system
Telford Ice Rink	16	Included catering as well as normal scope

6.8 From Appendix D 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	Red/ Amber	Amber	Separate update to be provided to the January 2015 Committee as agreed in June 2014.
2.	Transport Post Implementation Review	Amber	Superseded	Follow up overtaken by issues with the supplier so no longer applicable.
3.	Moorfield Primary School	Red	Amber	Further follow up November 2014 but remains Amber and next follow up due February 2015.

4.	Temporary Accommodation	Amber	Superseded	Restructure has resulted in staff changes and delays to upgrades therefore no further follow up but full audit planned for 2015/16.
5.	Unstructured Data Storage	Amber	Amber	Follow up undertaken November 2014 but progress delayed by restructure so next follow up February 2015 as agreed with ICT.

- 6.9 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.

7 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.

8 BACKGROUND PAPERS

Annual Audit Plan 2014/15 and Charter

Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013

CIPFA Local Government Application Note - April 2013

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