

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 28th JUNE 2016

2015/16 INTERNAL AUDIT QUARTER 4 UPDATE REPORT AND INTERNAL AUDIT PLAN 2016/17 and INFORMATION GOVERNANCE WORK PROGRAMME 2016/17

REPORT OF THE AUDIT, INFORMATION GOVERNANCE & INSURANCE SERVICES SERVICE DELIVERY MANAGER

1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarter four – January to March 2016.
- 1.2 For members to approve the 2016/17 Internal Audit plan
- 1.3 For members to note the 2016/17 Information Governance Work Programme

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the Internal Audit update information for quarter four 2015/16.
- 2.2 That members approve the 2016/17 Internal Audit Plan attached as Appendix E.
- 2.3 That members note the 2016/17 Information Governance Work Programme attached as Appendix F.

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”.
The Audit Committee receives regular updates on the work of Internal Audit. This report provides the update for quarter four 2015/16 – January to March 2016.
- 3.2 The Chief Financial Officer (CFO) also has responsibilities under s 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015 which are as follows:

Part 2 Internal Control Internal audit

5. A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

The CFO is therefore responsible for ensuring that the internal audit plans coverage is appropriate and sufficient to meet these obligations. This report also presents the Internal Audit Plan 2016/17 for approval (attached at Appendix E).

3.3 The terms of reference also include:

9. Consider the effectiveness of the Council's governance processes and their compliance with legislation and best practice including:
b) the Council's information security framework;

This report includes the IG work programme which presents the activities that will be undertaken to ensure compliance with legislation and good governance in respect to information security.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 30th June 2015 – Internal Audit & Information Governance Annual Report 2014/15 and Internal Audit Quarter 4 Update and 2015/16 Internal Audit Plan and IG Work Programme.
Audit Committee 15th September 2015 – 2015/16 Internal Audit Quarter 1 Update report and Information Governance Update April to August 2015.
Audit Committee 26th January 2016 – 2015/16 Internal Audit Quarters 2 & 3 Update Report

5 QUARTER 4 INTERNAL AUDIT UPDATE INFORMATION

- 5.1 This report provides information on the work of Internal Audit from 1st January – 31st March 2016 and provides an update on the progress of previous audit reports issued (April 2013 to December 2015).
- 5.2 The key focus for the team during the quarter has been completion of the fundamental audits for the External Audit visit at the end of March and the completion of audits set out in the quarters plan to conclude the work for 2015/16. The IT audit supplier for 2015/16 TIAA have been undertaking and completing their work in this period.
- 5.3 The following internal audit update report appendices are attached:
- i) **Appendix A** – List of final reports issued in quarter four 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 four for a period of 1 day or more.
 - iii) **Appendix C** - Previous graded reports from April 2013 to December 2015 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).
 - iv) **Appendix D** – Summary of the ? amber reports issued in quarter four.
- 5.4 Appendix A shows 20 reports were issued in quarter four. 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
Purchase Ledger	+20%	Additional time due to reporting across the Council as recommendations not just for system owners.
The Place	+77%	Additional time due to the follow up of previous issues and additional testing.
Payroll/HR	+50%	Increased sample sizes due to comments from the External Auditor during 2014/15 audit and time taken to locate evidence as scanning is not well referenced.
Benefits	-46%	Work completed competently and few queries.
Pre & Post 16 Transport	+19%	New area and involved several service areas across the Council.
St. Peter's School, Bratton	+11%	School records not well organised

Area	Variance (> +/- 10%)	Reason
Newdale School	+66%	Additional testing requested by the Headteacher
Town Park (including the Visitors Centre)	+122%	Additional testing required on income – lettings and lease agreements
Business continuity	-17%	Questionnaire returns were easier than estimated

The reasons for the variances are as explained above. As a result of this information the SDM has reviewed the time allocations for audits within the 2016/17 Audit Plan and will ensure scopes are designed to provide assurance and added value within the time allocated. Allocations will continue to be monitored to inform future allocations.

5.5 From Appendix A there were two Red and six Amber reports issued during quarter four. A summary of these eight reports is provided in Appendix D. For these Red and Amber reports management actions and time scales have been agreed to implement the recommendations and follow ups are scheduled. Internal Audit is confident that management will implement the recommendations to provide appropriate assurance and improved controls.

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

Audit Area	Days	Explanation
Advice & support	36	Continued advice and guidance sought due to more commercial approach and staff new to roles and responsibilities due to restructures
Children's brokerage	12	Budget for work was 11 days but there has been additional testing.
General Ledger	29	Fundamental audit

Property Investment Portfolio (review of bad debts)	11	Budget for work was 10 days and finalisation of report added additional time.
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5.7 From Appendix C 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/ Yellow	Following update to January 2016 meeting and meeting with the Audit Committee Chair in April the Chair has provided a verbal update to the meeting today and a further report will come to the September 2016 Committee.
2.	Moorfield Primary School	Red	Yellow	Second follow up completed and moved to yellow. Due a full audit 2016/17 so next follow up will be part of this.
3.	Direct Payments	Amber	Superseded	Follow up superseded by new processes so new audit commenced March 2016 and still in progress. Will report to next Committee.
4.	Charlton School	Amber	Yellow	Follow up completed some outstanding recommendations to be followed up again depending on Academy status.
5.	Section 17 Payments	Amber	Amber	Follow up completed and remains Amber. May 2016 follow up now in progress.
6.	Setting up Home grant	Amber		Follow up sent but service area changes so further work required.
7.	Transport Adults	Amber		Further evidence required so results of follow up will be reported to next Committee.
8.	Financial Assessment review	Amber	Yellow	New Senior so further work was undertaken. Operating model is currently being reviewed and new process maps are being created. Moved to Yellow.
9.	Leaving care process review	Amber		New officer so further work to be undertaken (linked to Setting up Home grant above).
10.	Cash collection – Transport & Highways	Amber	N/A	Will be undertaken as part of cash collection audit 2016/17 due to commence May/June 2016.
11.	Multi-Storey Car Park	Amber		Follow up in progress
12.	Downing House (now Lakewood Court)	Amber	Yellow	Follow up completed and moved to yellow. Next follow up due September 2016.

- 5.8 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 INTERNAL AUDIT PLAN 2016/17

- 6.1 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.
- 6.2 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, contribute to the achievement of the Council's priorities and the aims of "Being the Change". This is part of the Council's corporate governance framework and the effective management of risks.
- 6.3 Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance¹ to managers, Members and the Council as a whole on the risk management, control and governance processes of the Council, an annual programme of work (annual Audit Plan) is developed.
- 6.4 In accordance with professional standards² and good practice, Internal Audit planning should be directly linked to the Council's objectives and priorities, the strategic risk register and be directed by the Charter agreed by this Committee in January 2016. 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.
- 6.5 The plan is attached as Appendix E with detail at the bottom for the ICT audit work which has been informed by challenge from suppliers on the external framework. The plan has been drawn up based on the internal and external resources available for 2016/17 (see 6.6 below), the factors in paragraph 6.4 above and discussions with the CFO. The resultant plan should provide a reasonable level of assurance for 2016/17 but limited to the areas reviewed. 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 up to £100,000).
- 6.6 The planned resources for 2015/16 were 1072 days plus 75 days specialist ICT audit work (total of 1147). The resources **for 2016/17 are 991 plus 60 days specialist ICT audit work (total resources 1051)**. The decrease of just over 8% is due to a reduction in the external ICT budget and reduced hours of an Auditor (part of 2016/17 savings). Although this is a decrease from 2015/16 it is 3% more than in 2014/15 (1018).

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

- 6.7 Based on good practice the plan includes around a 10% 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 by the resources available. Any significant changes will be agreed with the CFO and appropriate AD and will be reported for information to SMT and this Committee.
- 6.8 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.

7 INFORMATION GOVERNANCE WORK PROGRAMME 2016/17

- 7.1 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 2016/17 programme in Appendix F for information. Updates on progress will be provided to the September 2016 Audit Committee and in the 2016/17 Annual Report.

8 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of the Internal Audit, IG and Insurance Services Team have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified.
Environmental Impact	All members of the Internal Audit, IG and Insurance Services Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager.
Legal Implications	The Accounts and Audit Regulations 2015 (Part 2, paragraph 5) state that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The information set out in this report illustrates the work that has been undertaken to meet the appropriate statutory requirements. There is also a requirement to comply with the Public Sector Internal Audit Standards. Undertaking the audits as set out in the report and providing updates to this Committee contributes towards meeting these requirements. 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	All aspects of the Internal Audit, IG and Insurance Services teams work support good governance which underpins the achievement of the Council's objectives and priorities.

	An effective Internal Audit service will contribute to all corporate priorities and look to identify efficiencies and improvements in effectiveness.
Risks and Opportunities	All aspects of the Internal Audit, IG and Insurance Services teams work supports managers and the Council to identify and manage their risks and opportunities.
Financial Implications	Internal Audit, IG and Insurance Services operated within budget for 2015/16 and are anticipated to do so for 2016/17. One post from the insurance team was offered up as a saving in 2016/17 with the work being absorbed by the remaining team. Team members will identify cost implications arising from reviews wherever possible.
Ward Implications	The work of the Internal Audit, IG and Insurance Services team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.

9 BACKGROUND PAPERS

Annual Audit Plan 2015/16 and Charter 2016/17
 Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013
 CIPFA Local Government Application Note – April 2013
 Internal Professional Practices Framework
 Accounts and Audit Regulations – 2015
 Information Governance Framework
 Information Governance legislation & guidance

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APPENDIX A

FINAL REPORTS ISSUED QUARTER FOUR – JANUARY TO MARCH 2016

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Woodlands Primary	Yellow	July 2016	7.75	7.55	-3%
Purchase ledger	Amber	2016-17 audit	25	30	+20%
The Place	Red	April 2016	10.5	18.85	+77%
ICT Risk Management	Yellow	August 2016	N/A contractor	N/A contractor	N/A contractor
ICT Help Desk	Yellow	August 2016	N/A contractor	N/A contractor	N/A contractor
Haughton School	Amber	May 2016	7.75	7.68	-1%
Payroll/HR	Yellow	2016/2017 Audit	30	45	+50%
GIS Application Review	Yellow	December 2016	N/A contractor	N/A contractor	N/A contractor
Benefits Audit	Yellow	2016/17 Audit	37	20	-46%
Pre & Post 16 Transport for Education and Training	Amber	June 2016	11.75	14	+19%
ICT Third Party Access	Amber	July 2016	N/A contractor	N/A contractor	N/A contractor
St Peters School, Bratton	Amber	June 2016	7.75	8.62	+11%
Newdale Primary	Amber	June 2016	7.75	12.89	+66%
Lightmoor Village Primary	Yellow	Sept 2016	7.75	7.60	-2%
ICT programme & Project management	Yellow	Sept 2016	N/A contractor	N/A contractor	N/A contractor
Town Park (including Visitor Centre)	Red	June 2016	9	20	+122%
P2.net – Concerto Application Review	Yellow	Sept 2016	N/A contractor	N/A contractor	N/A contractor
ICT Contract Management Arrangements	Yellow	Sept 2016	N/A contractor	N/A contractor	N/A contractor
Business continuity	n/a	Sept 2016	7	5.77	-17%
Elective Home Education	Green	N/A	3.81	4	-4.75%

N/A contractor - Work undertaken by third party contractor under the framework contract.

APPENDIX B

AUDIT WORK UNDERTAKEN FOR QUARTER FOUR FOR A PERIOD OF 1 DAY OR MORE

Audit Area	Days
Advice & Support	36
Bank contract review	5
Business Continuity (Review of Plans)	6
Captain Webb School	7
Care & Enablement provider services	2
Charlton Follow up	2
Children's Brokerage (Link to Foster Care)	12
Children's Arrangement Orders	2
Contract Waivers	7
Council Tax & NNDR (2015-2016) additional testing	4
Deferred Payments	7
Discharge to Care - Mental Health Home from Hospital	2
Early Intervention (Common Assessment Framework)	10
Employment Code of Practice Compliance	4
External IT Audit quality review	3
Follow ups	2
Fraud & Compliance (High Value Direct Payments)	2
General Ledger (2015-16)	29
Haughton School	1
Home Education Process Review	3
Horsehay Golf Course	1
Housing Benefits & CTAX Support Scheme (2015-16)	2
Leaver Checklist	1
Leisure Budget review	3
Lightmoor Primary	7
Local transport grant	3
Making Safeguarding Personal (Adults)	4
Millbrook Primary School	7
National Fraud Initiative	1
Newdale Primary	1
Newdale School	1
Nuplace	1
P2P - Purchase Ledger (2015 - 2016)	1
Payroll / HR (2015-16)	3
Procurement including GPC follow up	1
Property Investment Portfolio (Review of bad debts)	11
PSE Upgrade	1
Public Health SLAs & MOUs	5
Social Care Payments	2
Social Letting Agency	8
St Peters Bratton	9

Supervision Policy Review (including Children's Safeguarding)	7
Temporary Accommodation	1
The Place	3
Town Park	10
Transport to Schools - pre & post 16	1
Treasury Management (2015-2016)	1
Troubled Families Grant	1
Wombridge	8