

## **TELFORD & WREKIN COUNCIL**

### **AUDIT COMMITTEE 20th SEPTEMBER 2016**

#### **2016/17 INTERNAL AUDIT QUARTER 1 UPDATE REPORT AND INFORMATION GOVERNANCE UPDATE REPORT TO END JULY 2016**

#### **REPORT OF THE AUDIT, INFORMATION GOVERNANCE, INSURANCE & INVESTIGATION SERVICES DELIVERY MANAGER**

## **1 PURPOSE**

- 1.1 To update members on the work of Internal Audit during quarter one - April – June 2016 and the appointment of CIPFA Business Ltd to undertake the External Assessment of Internal Audit against the Public Sector Internal Audit Standards (PSIAS).
- 1.2 To update members on the work of the Information Governance team from April – July 2016.

## **2 RECOMMENDATIONS**

- 2.1 That members of the Audit Committee note the information contained in this report in respect to the work of Internal Audit and Information Governance for the first part of 2016/17 and the external assessment of Internal Audit against the PSIAS.

## **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 first update for 2016/17 in respect to quarter one – April – June 2016.
- 3.2 The Councils Information Governance (IG) function forms part of the Council’s Information Security framework and good governance. The terms of reference of the Audit Committee include information governance which consists of several aspects:
  - Data Protection & Privacy
  - Freedom of Information
  - Information Security
  - Information Sharing & Confidentiality
  - Information & Records Management
  - Information Quality & Assurance

- 3.3 This report provides an update to members on the activities of the Information Governance Team during April – end July 2016.
- 3.4 There is also a requirement for the Council 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. However also as part of these Standards there is a requirement for an External Assessment against the Standards to be carried out every 5 years. The Standards were effective from 1<sup>st</sup> April 2013 so an assessment must be completed by 31<sup>st</sup> March 2018.
- 3.5 At the January 2016 Audit Committee meeting it was agreed that the collaborative procurement route with Staffordshire County Council managing the procurement would be followed. The process and contract was awarded on 1<sup>st</sup> July 2016 – 30<sup>th</sup> June 2018 to CIPFA Business Ltd at a cost to T&W of £6,900 (due to emphasis on quality rather than price). This cost will be met from within the existing budget. The Council's assessment will take place in January 2017 and the results (including an action plan) will be reported to the June 2017 Audit Committee. Undertaking the assessment in January 2017 will ensure that the assessment is completed by 31<sup>st</sup> March 2018.

#### **4 PREVIOUS MINUTES**

- 4.1 Audit Committee 30<sup>th</sup> 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 15<sup>th</sup> September 2015 – 2015/16 Internal Audit Quarter 1 Update report and Information Governance Update April to August 2015.  
Audit Committee 26<sup>th</sup> January 2016 – 2015/16 Internal Audit Quarters 2 & 3 Update Report and External Assessment in respect to the Public Sector Internal Audit Standards  
Audit Committee 30<sup>th</sup> June 2016 – 2015/16 Internal Audit Quarter 4 Update Report and Internal Audit Plan 2016/17 and Information Governance Work Programme 2016/17

#### **5 QUARTER 1- INTERNAL AUDIT UPDATE INFORMATION**

- 5.1 This report provides information on the work of Internal Audit from 1<sup>st</sup> April – 30<sup>th</sup> June 2016 and provides an update on the progress of previous audit reports issued (April 2013 to March 2016).
- 5.2 The key focus for the team during quarter one has been the commencement of the 2016/17 plan and completion of the few audits outstanding from 2015/16 (including a few IT audits). Unfortunately during the quarter we have had a long term absence which has affected the work plan but we were able to readjust before the financial year started. We have also started to plan and undertake some of the key financial systems audits. The specification for the 2016/17 IT audits was developed with responses due mid-July for work to commence in quarter 2.

- 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 for a period of 1 day or more.
  - iii) **Appendix C** - Previous graded reports from April 2013 to March 2016 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 1 red and 3 amber reports issued in quarter one
  - v) **Appendix E** – Abacus update
- 5.4 Appendix A shows 22 reports were issued in quarter one. 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
PIP – Review of bad debts	+20%	Testing took longer than time included in estimate
Public Health SLA's & Memorandum of Understanding	+34.3%	More diverse SLA's and MOU's than original scope had suggested
Letting Agency/Telford Home Finder	+60%	Additional work done in respect to computer systems and also looked as some processes in respect to Nuplace
Wombridge Primary	+13%	Additional testing undertaken on Community Pride Grant.
General ledger	-13%	Undertook work quicker than had estimated.
Bank contract PIR	-15%	Work required was less than estimate
Wrekin View Primary	-14.3%	Very good documents and preparation by the school
Catering Commercial Services - Nursery	-26.6%	Testing reduced once issues had been identified
Mental Health Home from Hospital Process review	-29%	Good processes so reduced testing required
Community Pride Grants	-21.9%	Service area waiting for documents so less to test.

The reasons for the variances are as explained above and the scopes and time allocations for future 2016/17 audits have been informed by this information and will be closely monitored.

- 5.5 From Appendix A there was 1 Red and 3 Amber reports issued during quarter one. A summary of each report is provided in Appendix D. The Red report was produced as a

result of a follow up of the previous direct payments audit (amber) but just the financial aspects were examined. Responsibility for this area has changed and part of the process is now provided externally but the review found that the internal financial monitoring processes still require major improvements. For the other Amber reports management actions and time scales have been agreed to implement the recommendations. 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 & Consultancy	25	Continued advice and guidance sought due to more commercial approach and staff new to roles and responsibilities due to restructures
Abraham Darby Leisure Centre	15	Additional time due to queries on TLC users and "free" staff TLC cards.
Follow ups	12	Various follow ups and due to re-organisations often new staff are now responsible which increases the time taken to follow up.

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 verbal update by the Chair to June 2016 committee and a further report has been presented - See Appendix E.
2.	Setting up Home grant	Amber	Amber	Follow up sent November 2015 but no response despite a number of reminders. Met service area in April 2016 but were investigating a complaint which has changed processes. Visit due August 2016 to review new processes and to complete follow up.
3.	Transport Adults	Amber	Amber	Follow up completed March 2016 and second follow up commenced June 2016 and chasing responses from service area. Will report to next Committee.
4.	The Place	Red	Amber (see comment)	Second follow up took place August 2016 and outcome has been finalised as <b>Green</b> .
5.	Haughton School	Amber		Follow up visit due September 2016
6.	Newdale School	Amber		Work has been on-going with the school including the provision of training. Follow up delayed until September 2016 at the request of the school as a new School

				Business Manager is starting in September.
7.	ICT 3 <sup>rd</sup> Party Access	Amber	Yellow	Follow up completed and moved to yellow. Next follow up due October 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 INFORMATION GOVERNANCE UPDATE APRIL – JULY 2016**

- 6.1 The IG work programme for 2016/17 was presented and approved at the June 2016 Audit Committee. Appendix F of this report details each task on the programme and a summary of the progress to date on completing each of these. IG has made good progress in respect to completing agreed tasks to date. The majority of tasks that were due for completion have either been completed on time or are within acceptable extended timescales. IG is confident that the remaining tasks on the work programme will be completed in full by the end of 16/17.
- 6.2 The Council has received 379 FOI requests in this period. Out of 356 requests responded to (the remaining 23 requests were not due to be responded to in this period), 338 (95%) have been responded to within the 20 working day statutory period; this is against the Information Commissioners benchmark of 80%. It takes on average 9 days to respond to each request we receive.
- 6.3 The Council has also received 20 EIR requests in the same period. Out of 20 requests responded to, 19 (95%) have been responded to within the 20 working day statutory period; this is against the Information Commissioners benchmark of 80%. It takes on average 11 days to respond to each request we receive
- 6.3 For the same period we had received 21 Subject Access Requests (SARs) under the Data Protection Act 1998. All 10 requests (100%) responded to (the remaining 11 were not due to be responded to in this period) were completed within the 40 calendar day statutory period (compared to the Information Commissioners benchmark of 80%).
- 6.4 Also in this period we have received and responded to 1 appeal from a requestor who was not satisfied with the response they received to their information request – this appeal was partly upheld. 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, Insurance & Investigations Services Delivery Manager/Information Governance & Insurance Team Leader hears all appeals received.
- 6.5 During this period we have received 2 complaints that were made to the ICO by requesters who were unhappy with responses given to their information requests.

The ICO partially upheld the first complaint in that it agreed with the council's application of relevant exemptions under the Data Protection Act 1998 but did confirm that the council were late in responding to the request (we had already apologised to the requester for our late response). The second complaint is still being dealt with by the ICO and an update on this will be presented to the Audit Committee as part of the next IG update report.

- 6.6 The Council takes its responsibility for protecting personal and sensitive information very seriously and therefore encourages an open culture where employees are encouraged to report all actual and potential data breaches in order that we can put measures in place to reduce potential issues in future. In this period we identified 9 data breaches. None of these met the Information Commissioners rationale for reporting serious breaches to them. IG is continuing to work with all service areas where breaches have occurred to ensure they improve procedures and that disciplinary action is taken where appropriate. The table below shows a summary by type of the confirmed data breaches and the number of subsequent formal complaints received. Lessons learnt from security incidents during the first half of the year will be shared across the Council in early October.

<b>Category/Type</b>	<b>Number of cases (%)</b>	<b>Number of Formal Complaints received from Data Subjects</b>
Information accidentally sent/made available to the incorrect recipient	8 (89 %)	8
Inappropriate access of an information system	1	0
<b>TOTAL</b>	<b>9</b>	<b>8</b>

## **7 OTHER CONSIDERATIONS**

<b>AREA</b>	<b>COMMENTS</b>
Equal Opportunities	All members of the Audit & IG 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 Audit & IG 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. 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. Compliance with the Information Rights legislation mentioned in this report is mandatory. When assessing compliance, the ICO will consider

	approved policies and procedures of the authority.
Links with Corporate Priorities	All aspects of the Audit & IG teams work support good governance which underpins the achievement of the Council's objectives and priorities.
Risks and Opportunities	All aspects of the Audit & IG teams work supports managers and the Council to identify and manage their risks and opportunities. The role of IG includes reviewing information security arrangements in place to manage IG risks within service areas. IG reports produced assist the Council in improving systems and controls (reducing IG risks) and therefore the delivery of services and achievement of objectives. If the Council does not comply with the information rights legal requirements there is the risk of the Council being issued with a fine by the ICO of up to £500,000. Service areas supported by the IG Team have and are continuing to implement mitigation to avoid this but there is still risk associated with this.
Financial Implications	Financial monitoring is currently showing that Audit, IG, Insurance & Investigations are operating within budget for 2016/17. Audit & IG team members will identify cost implications arising from reviews wherever possible. It should be noted that if the ICO found that the Council was not complying with the information rights legal requirements and a fine was imposed there is no budget identified to fund this. The cost of the External assessment will be met from existing budgets.
Ward Implications	The work of the Audit & IG team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.

## **8 BACKGROUND PAPERS**

Annual Audit Plan 2016/17 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

Accounts and Audit Regulations – 2015

Information Governance Work Programme 2016/17

Corporate Information Security Policy

Corporate Information Security Breach Procedure

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**APPENDIX A**

**FINAL REPORTS ISSUED QUARTER ONE – APRIL TO JUNE 2016**

<b>Audit Area</b>	<b>Opinion</b>	<b>Follow Up Due</b>	<b>Days allocated</b>	<b>Days Taken</b>	<b>Variance %</b>
General Ledger	Yellow	2016-17 audit	38	33	-13%
Contract Waivers	Yellow	October 2016	7.75	7.80	0
Property Investment Portfolio – Review of bad debts	Yellow	October 2016	10	12	+20%
Data Sharing Audit	Yellow	October 2016	TIAA *		n/a
Captain Webb Primary	Yellow	October 2016	7.75	7.71	0
Review of PCI Arrangements	Yellow	October 2016	TIAA *		n/a
Cloud Computing	Yellow	November 2016	TIAA *		n/a
Protocol Application Review	Yellow	November 2016	TIAA *		n/a
Public Health SLA's & MOUs	Yellow	November 2016	5	6.71	+34.3%
Early Intervention	Green	N/A	10	10.3	+3%
M3 Application Review	Yellow	November 2016	TIAA *		n/a
Information Security	Yellow	November 2016	TIAA *		n/a
Lettings Agency/ Telford Home Finder	Yellow	November 2016	5	8	+60%
Wombridge Primary	Amber	September 2016	7.75	8.76	+13%
Millbrook Primary	Yellow	November 2015	7.75	7.36	-5%
Bank Contract PIR	Yellow	N/A	8	6.8	-15%
Wrekin View Primary	Amber	September 2016	7.75	6.64	-14.3 %
Deferred Payments	Yellow	November 2016	8	7.7	-8.8%
Direct payments follow up (Personal budgets)	Red	August 2016	n/a	2.6	n/a
Catering Commercial Services	Amber	November 2016	10	7.34	-26.6%
Mental Health Home From Hospital Process Review	Green	N/A	7	5	-29%
Community Pride Grants	Yellow	December 2016	7	5.47	-21.9%

\* Work undertaken by specialist third party contractor under framework contract

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

<b>Audit Area</b>	<b>Days</b>
Abraham Darby Leisure Centre	15
Adult Social Care	1
Advice & Consultancy	25
Annual Governance Statement Certification	6
Aqueduct School	7
Bank contract review	1
Captain Webb Primary School	1
Catering - Commercial Nurseries	7
Children's Brokerage	3
Children's arrangement orders	4
Community Support Finance	9
Contract Waiver Review	1
Core Groups Process review	7
Corporate Leases review	3
Council Tax / NNDR	4
Early Intervention	1
IT Audit contract management	3
Follow ups	12
Fraud & Compliance	3
GPC & Procurement	5
Health & Safety processes review	9
Home Education process review	1
Home from Hospital audit review	5
Madeley Town Council audit	1
Making Safeguarding personal	7
Newdale School Training	1
Oakengates Town Council audit	1
Payment Card Industry Compliance	1
Pride in the Community process review	5
PIP – review of bad debts	1
PSE (Payroll/HR) Upgrade	1
Section 17 payments follow up	1
Sickness Monitoring - Early Help & Support	7
Social Media policy compliance	2
St Lawrence Primary School	1
St Matthews Primary Follow up	6
St Peters & Paul's School	1
St Peters Edgmond	5
Support Planning - Early Help & Support	8
Temporary Accommodation	5
The Bridge School	3

The Place - Follow up	6
Treasury Audit 2016-17	2
Wombridge Primary School	1
Wrekin View Primary School	1