



1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarters two and three – July – December 2016.
- 1.2 For members to consider and approve the Internal Audit Charter 2017/18.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the information contained in this report.
- 2.2 That members of the Audit Committee approve the Internal Audit Charter 2017/18 attached as Appendix E.

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 2016/17 in respect to quarters two and three – July – December 2016 and the updated Internal Audit Charter for 2017/18 for approval by the Committee.

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 and External Assessment in respect to the Public Sector Internal Audit Standards
Audit Committee 30th June 2016 – 2015/16 Internal Audit Quarter 4 Update Report and Internal Audit Plan 2016/17 and Information Governance Work Programme 2016/17
Audit Committee 20th September 2016 – Internal Audit Quarter 1 Update and IG update to July 2016.

5 QUARTERS 2 and 3 - INTERNAL AUDIT UPDATE

- 5.1 This report provides information on the work of Internal Audit from 1st July – 31st December 2016 and provides an update on the progress of previous audit reports issued (April 2013 to June 2016).

5.2 The key focus for the team during quarters two and three has been the 2016/17 planned audits including the fundamental systems audits. Unfortunately the long term staff absence continued until early October which has affected the extent of the work undertaken but the quarterly plans were adjusted as was the annual plan before the financial year started. The IT audit work was awarded mid-July to TIAA and further general work was commissioned to assist with the cover for the long term absence. Work has also commenced on the longer term arrangements for IT and general audit provision when the current extended contract comes to an end on 31st March 2017.

5.3 The following internal audit update report appendices are attached:

- i) **Appendix A** – 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.
- ii) **Appendix B** – List of all work undertaken for quarters two and three for a period of 1 day or more.
- iii) **Appendix C** - Previous graded reports from April 2013 to June 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 9 amber reports issued in quarters two and three
- v) **Appendix E** – Internal Audit Charter 2017/18

5.4 Appendix A shows 30 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
Making Safeguarding Personal	-15%	Over estimate of time allocated in the plan
The Bridge School	-20%	School well prepared
Aqueduct Primary School	-12%	School well prepared
Supervision Policy Review	+26%	Testing took longer as had to visit Managers as unwilling to share information electronically
St Peters & St Paul's RC Primary School	-15%	School well prepared
Abraham Darby Leisure Centre	+50%	Original allocation insufficient and then additional work on generic users and staff TLC cards
Children's Brokerage – Foster Care	+57%	Testing had to be undertaken with Brokerage staff and Social workers. Also some delay in receiving information and comments on report.
Leavers Checklist	-22%	Reviewed and added to work already undertaken by HR so less time than originally allocated.
Support Planning	-37.5%	Information for testing was provided by the service area which meant that testing did not take as long as expected and time allocated.
Children's Arrangement Orders	+33%	Lack of clarity on responsibilities and more checks required than had been anticipated in original allocation.
Council tax/NNDR	-14%	Economies due to doing two systems and processes together.
Events audit	-12%	Reduced scope due to many being just contracts.
Temporary Accommodation	-25%	Not as much testing undertaken as planned due to lack of controls in place.
Assistive Technology	+18.3%	Testing needed to be completed with staff due to access to IT system which increased the amount of time spent on testing

The reasons for the variances are as explained above and the scopes and time allocations for remaining 2016/17 audits have been informed by this information and will be closely monitored. The information will also be used to inform 2017/18 planning.

5.5 From Appendix A there were 9 Amber reports issued during quarters two and three. A summary of each report is provided in Appendix D. For these Amber reports management actions and time scales were agreed to implement the recommendations. Due to the time lapse in reporting the information to the Audit Committee some areas have already had their follow up's completed and improvements have been achieved. These include Community Support Finance (now Green), Abraham Darby Leisure Centre (now Yellow) and Treasury Management (now Green). Follow ups are in progress for the other Amber reports and will be reported in the Committee in June. Otherwise Internal Audit is confident that management will continue to implement the recommendations for these Amber/improving reports and all other agreed reports 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	61	Continued advice and guidance sought due to more commercial approach and staff new to roles and responsibilities due to restructures
Arthog	13	Establishment visit requires 2 staff and increased income areas
Benefits	12	Fundamental audit
Cash collection	22	Fundamental audit
Council tax /NNDR	28	Fundamental audit
Follow ups		Various follow ups and due to re-organisations often new staff are now responsible which increases the time taken to follow up.
Sales Ledger	16	Fundamental audit

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.	Setting up Home Grant	Amber	Amber	Follow ups have been pursued for a while with various correspondences with the service area about restructure and changes to processes. A meeting with the service area was held on 21/12/16 where it was agreed that a new audit will take place in June 2017 as new processes/policies will be coming into force from March/April 2017.
2.	Transport Adults	Amber	Amber	Follow up completed March 2016 and second follow up commenced June 2016. Chased responses from service area but postponed due to consultation on transport policy changes. Meeting arranged for January 2017 to discuss status of agreed recommendations.

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.

Quality Assurance and Improvement Programme

- 5.9 The SDM has continued to undertake quarterly spot checks of audit files to review compliance to the PSIAS alongside the normal quality review process applied to all audit assignments. No issues were identified in quarters 1 and 2 (quarter 3 due by end January 2017).
- 5.10 Members are aware that the External Assessment was undertaken during week commencing 9th January 2017. The results of this are in the process of being agreed. When agreed the report will be circulated to the members of the Audit Committee and Leader (lead member for Governance and Audit). They will be included on the agenda for the June Audit Committee. The SDM will provide a verbal update on the assessment outcome to the January meeting.

6 INTERNAL AUDIT CHARTER 2017/18

- 6.1 The Public Sector Internal Audit Standards require Internal Audit to have a Charter which sets out the purpose, resources, reporting and other information important to provision of a service that meets the definition of Internal Audit.
- 6.2 The 2016/17 Charter has been reviewed and updated for 2017/18 to reflect the following:
- a) Further updates to the Public Sector Internal Audit Standards;
 - b) Formalisation to ensure transparency of how potential conflicts in respect to the audit of non audit functions that the Audit SDM (CAE) is responsible for are managed ;
 - c) The resources available for 2017/18; and
 - d) Other minor changes to reflect the changing organisation.
- 6.3 An updated Charter will be presented to the June 2017 Audit Committee to reflect the changes arising from the restructure due to commence in April 2017.

7 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of the Audit 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 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.
Links with Corporate Priorities	All aspects of the Audit teams work support good governance which underpins the achievement of the Council's objectives and priorities.
Risks and Opportunities	All aspects of the Audit teams work supports managers and the Council to identify and manage their risks and opportunities.

Financial Implications	Financial monitoring is currently showing that Audit, IG, Insurance & Investigations are operating within budget for 2016/17. There are therefore no financial implications arising from adopting the recommendations of this report.
Ward Implications	The work of the Audit 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 and updated January 2017
CIPFA Local Government Application Note – April 2013
Accounts and Audit Regulations – 2015

Report by Jenny Marriott, Audit, Information Governance. Insurance & Investigations SDM.
Telephone: 383101 and Tracey Drummond Principal Auditor. Telephone 383105

FINAL REPORTS ISSUED QUARTERS TWO AND THREE – JULY TO DECEMBER 2016

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Making Safeguarding Personal	Yellow	January 2017	8	6.8	-15%
The Bridge School	Yellow	January 2017	8	6.4	-20%
Community Support Finance	Amber	October 2016	9	9	0%
Aqueduct Primary	Yellow	January 2017	8	7	-12%
Supervision Policy Review	Amber	January 2017	6.75	8.5	+26%
SS Peter & Paul RC Primary School	Yellow	January 2017	8	6.8	-15%
Core Groups	Amber	October 2016	7	7.12	+1.7%
West Road & Petty Cash	Amber	October 2016	From Fraud & Compliance	3	N/A
Abraham Darby Leisure Centre	Amber	October 2016	8	16	+50%
Children's Brokerage – Foster Care	Amber	November 2016	10	15.7	+57%
Leavers Checklist	Yellow	January 2017	5	3.9	-22%
Health & Safety Processes: Corporate H&S Team	Amber Yellow	End of November 2016	11	11.8	+7%
Support Planning	Yellow	March 2017	12	7.5	-37.5%
Children's Arrangement orders	Amber	December 2016	6	8	+33%
Treasury Management	Amber	17/18	10	9.4	-6%
Church Aston Infant School	Yellow	April 2017	8.25	4.97	-39.75%
Council Tax & NNDR	Yellow	17/18	38	32.5	-14%
Sickness Monitoring	Yellow	March 2017	7	6.9	-1.4%
St Lawrence C E Primary School	Yellow	April 2017	8	7.86	-1.75%
Events	Yellow	April 2017	4	3.5	-12%
St Peter's Edgmond	Yellow	April 2017	8.25	6.81	-17.45%
Temporary accommodation	Amber	Jan- Mar 2017	8	6	-25%
Assistive Technology	Yellow	April-June 2017	6	7.1	+18.3%
Corporate lease	Yellow	April – June 2017	8	12.2	+52.2%
Lilleshall Primary	Yellow	April – June 2017	8	7.7	-3.75%

Cash Collection	Yellow	N/A Carried out as part of next annual audit.			
ICT Back Up and Storage	Yellow	June 2017	7	7	0
Apley Wood Primary	Yellow	April – June 2017	8	6.43	-19.64%
Oakengates Leisure Centre	Yellow	April – June 2017	9.75	10.2	+4.6%
Section 106 Agreements	Green	August 2017	7	6.55	-6.4%

* Work undertaken by specialist third party contractor under framework contract

AUDIT WORK UNDERTAKEN FOR QUARTERS TWO & THREE FOR A PERIOD OF 1 DAY OR MORE

Audit Area	Days
Abraham Darby Leisure Centre	2
Additional Payment to Foster Carers	7
Advice & Consultancy	61
AGS Certification Assurance 2016-17	3
Apley Wood Primary	6
Arthog	13
Assistive Technology	7
Benefits 2016-17	12
Cash Collection 2016-17	22
Catering – Commercial Nurseries	1
Children’s Brokerage (Link to Foster Care)	1
Children’s Savings	3
Church Aston School	5
Community Support – Finance Audit	1
Core Group	1
Corporate Leases (Including Nursery Schools)	10
Council Tax / NNDR 2016-17	28
Employment Code of Practice Compliance	1
Events Management	4
External IT Audit, Contract Management & Procurement	3
Follow ups	15
General Ledger 2016-17	8
GPC & Procurement – Follow up	1
Health & Safety	2
Inter agency communication in relation to missing children	1
Investigation into alleged theft	2
Joint Commissioning & Information Sharing (Review of Processes)	1
Leaver Checklist	1
Lilleshall Primary School	8
Local transport grant	2
My Choices	2
My Options	3
National Fraud Initiative	6
Newdale School Follow Up	1
Newport Infants School	6
Nuplace	9
Oakengates Leisure Centre	10
PSE Upgrade	1
PSP Register (management of personal data)	6
Sales Ledger 2016-17	16
Section 106 Agreements	6
Section 17 payments	1
Shortwood School	7
Sickness Monitoring review	4
St Lawrence Primary School	2

St Peters & Pauls RC School	2
St Peters Edgmond	7
Support Planning	7
Teagues Bridge Primary School	10
Temporary Accommodation	4
The Place - Follow up	2
Town Park - Follow up	2
Transition Process	9
Treasury 2016-17	10
Troubled Families Grant	1
Wombridge School Follow Up	1
Wrekin View School Follow Up	2