

1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarters two and three – July – December 2017
- 1.2 For members to consider and approve the Internal Audit Charter 2018-19

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the information contained in this report.
- 2.2 Approve the Internal Audit Charter attached as Appendix 5.

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 2017/18 in respect to quarters two and three – July – December 2017 and the updated Internal Audit Charter for 2018/19 for approval by the Committee.

4 PREVIOUS MINUTES

Audit Committee: 30 June 2016
 20 September 2016
 31 January 2017
 27 June 2017
 19 September 2017

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 2017 and provides an update on the progress of previous audit reports issued (June 2015 to June 2017).
- 5.2 The key focus for the team during quarters two and three has been the 2017/18 planned audits including the fundamental systems audits. The tender exercise for the appointment of the IT auditors, as part of the Staffordshire Framework, to meet the 18/19 IT audit plan is complete. There are 4 successful companies on this framework covering the period from December 2017 – November 2020. It is expected that the 18/19 IT audit plan will be delivered in budget.

- 5.3 Following consultation with auditees and SMT, the format of the internal audit report has changed. Feedback has demonstrated this is now an improved report and is a lot clearer to understand.
- 5.4 The following internal audit update report appendices are attached:
- i) **Appendix 1** – 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 2**– List of all work undertaken for quarters two and three for a period of 1 day or more.
 - iii) **Appendix 3** - Previous graded reports from June 2015 to June 2017 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 4**– Summary of the 1 red and 2 amber reports issued in quarters two and three
 - v) **Appendix 5** – Internal Audit Charter 2018/19
- 5.5 Appendix 1 shows 23 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
Ski & Snowboard Centre	+51%	A lot of testing and issues found (30 recommendations - Red Report)
Off Contract Agency Staff	+ 52%	Additional time taken understanding the system as this was the first audit in this area. Each service area had to be visited to undertake testing.
My Options	+14%	Additional time taken understanding the system as this was the first audit in this area.
Transfer of Libraries & Markets	-28%	Not as much testing as first envisaged.
Lawley Primary	-14%	School were very well prepared and all records were collated for us
Old Park Primary	-13%	School were very well prepared and all records were collated for us
Personal Transport Budget	+20%	It was a new area that had not been audited before
Wellington Leisure Centre	+54%	A lot of testing and issues found (Amber report)
Council Tax/NNDR	+36%	Training for member of staff who has never audited this area. New requirement by KPMG to obtain evidence of all reports used as part of audit testing.

The reasons for the variances are explained above and the scopes and time allocations for remaining 2017/18 audits have been informed by this information and will be closely monitored. The information will also inform 2018/19 audit plan.

- 5.6 From Appendix 1 there were 1 red and 2 amber reports issued during quarters two and three. A summary of each report is provided in Appendix 4. For these red/amber reports management actions and time scales were agreed to implement the recommendations. Internal Audit is confident that management will continue to implement the recommendations for these reports and all other agreed reports to provide appropriate assurance and improved controls.

5.7 Areas of more than 10 days from Appendix 2 are explained below:

Audit Area	Days	Explanation
Council tax / NNDR (2017 - 2018)	51	Fundamental audit
Deprivation of Liberties Safeguards	15	New area – complex and lots of issues found.
Purchase Ledger 2017/18	22	Fundamental audit
Sales Ledger 2017/18	13	Fundamental audit
Wellington Civic Leisure Centre	13	Establishment audit, lots of testing

5.8 From Appendix 3 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 (Leaving Care)	Amber	Amber	Postponed at request of SDM due to turnover of key staff. Scope issued. Audit to be undertaken quarter 1
2	Children's Arrangement orders	Amber	Amber	3rd follow up complete – remains an amber. Further follow up to be undertaken March 2018
3	Control of Privileged User and Tools*	Amber	Amber	1 st follow up complete remained amber. 2 nd follow up planned January 2018
4	Children in Care Personal Savings	Amber	Amber	1 st follow up complete remains amber, further follow up to be completed January 2018

5.9 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.

Quality Assurance and Improvement Programme

5.10 The Audit & Governance Team Leader 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 2 and 3 (quarter 3 due by end January 2017).

5.11 For audits of the accounts from 2018/19, the PSAA is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. The PSAA wrote to the Council on the 14 August 2017 to consult on the proposed appointment of Grant Thornton (UK) LLP as the external auditor of Borough of Telford and Wrekin from 2018/19. Then on the 19 December 2017 the PSAA wrote to the Council to confirm that Grant Thornton (UK) LLP were the appointed external auditors.

6 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 & Governance are operating within budget for 2017/18. Costs associated with audit recommendations will be identified by Services when proposals to comply are reported. RP-2.1.18
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.

7 BACKGROUND PAPERS

Annual Audit Plan 2017/18 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

Report by: Suzanne Dodd - Governance & Legal SDM. Telephone: 380014 and Rob Montgomery – Audit & Governance Team Leader Telephone 383103

FINAL REPORTS ISSUED QUARTERS TWO AND THREE – JULY TO DECEMBER 2017

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Ski & Snowboard Centre	Red	October 2017	8	12.1	+51%
Off Contract Agency Staff	Amber	March 2018	5.5	8.4	+52%
Wellington Leisure Centre	Amber	May 2018	8	12.3	+54%
High Ercall Primary	Yellow	January 2018	8.25	7.9	-0.4%
Dothill Primary	Green	N/A	8.25	7.4	-0.10%
Intermediaries (IR35)	Green	N/a	5.5	5.7	+0.04%
My Options	Yellow	February 2018	10	11.4	+0.14%
Treasury	Green	N/a	10	9.6	-0.04%
William Reynolds Primary	Yellow	March 2018	8.25	7.9	-0.04%
Madeley Nursery	Yellow	March 2018	8.25	7.4	-0.10%
Transfer of libraries	Yellow	n/a	8	5.78	- 28%
Transfer of markets	yellow	n/a			
Lawley Primary	Green	N/A	8.25	7.1	-0.14%
Old Park Primary	Green	N/A	8.25	7.2	-0.13%
Cash Collection Income Management	Green	2018-19 Audit	20	18	-0.10%
Cash Collection Events	Green	2018-19 Audit			
Cash Collection Gypsies & Travellers	Yellow	2018-19 Audit			
Cash Collection Fleet	Green	2018-19 Audit			
Personal Transport Budget	Yellow	May 2018	5	6	+0.20%
St Marys Catholic Primary	Yellow	May 2018	8.25	7.4	-0.10%
Coalbrookdale & Ironbridge	Yellow	May 2018	8.25	7.6	-0.07%
Wrockwardine Wood Infants	Green	N/A	8.25	7.4	-0.10%
Council Tax/NNDR	Green	N/A	38	51.5	+36%

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

AUDIT AREA	DAYS
Advice & Consultancy including org change	7
Benefits 2017/18	9
Bus Subsidy Grant	3
Cash Collection (2017-2018)	7
Coalbrookdale & Ironbridge Primary School	8
Core Group	2
Council tax / NNDR (2017 - 2018)	51
Deprivation of Liberties Safeguards	15
Discharge from Hospital	8
Dothill Primary School	7
External IT Audit Procurement	5
General Ledger - Fixed Asset Module	2
General Ledger 2017/18	5
HR & Payroll 2017/18	5
Intermediaries / Agency Workers (HMRC Toolkit requirements)	3
Lawley Primary School	7
Madeley Nursery	7
My Options	2
National Fraud Initiative	2
Nuplace	3
Off Contract Agency Workers	4
Old Park Primary School	7
Personal Transport Budget	6
Planning / Governance Arrangements	7
Purchase Ledger 2017/18	22
Review of Contracts	2
Risk Management 2017/18	1
Sales Ledger 2017/18	13
Setting up Home Grant	2
Ski Centre	1
Ski Centre Follow Up	2
St Lukes RC Primary School	7
St Marys Primary School	8
Strengthening Families Grant	2
Telford 50	1
Telford Bike Hub	1
Tell us Once	4
Transfer of Facilities (Markets, Community C. & Libraries)	2
Transport Grant Certification	2
Treasury Management (2017 - 2018)	7
Wellington Civic Leisure Centre	13
West Rd / Granville House Follow Up	1
William Reynolds Primary School	1
Wrockwardine Wood Infants School	7