

1 **PURPOSE**

- 1.1 To update members on the work of Internal Audit for the period 8 September 2018 to 4 January 2019.

2 **RECOMMENDATIONS**

- 2.1 That members of the Audit Committee note the information contained in this report in respect to Internal Audit work between 8 September 2018 to 4 January 2019

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 2018/19 in respect to audit reports between 8/9/18 - 4/1/19.

4 **PREVIOUS MINUTES**

Audit Committee:

30 January 2018
29 May 2018
24 July 2018
2 October 2018

5 **INTERNAL AUDIT UPDATE**

- 5.1 This report provides information on the work of Internal Audit from 8 September 2018 to 4 January 2019 and provides an update on the progress of previous audit reports issued.
- 5.2 The key focus for the team during this period was the completion of the audit plan including the fundamental systems audits.
- 5.3 The following internal audit update report appendices are attached:
- i) **Appendix 1** – List of final reports issued this period 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 this period of 1 day or more.
 - iii) **Appendix 3** - Previous graded reports 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 2 amber & 3 red reports issued this period.

- 5.4 Appendix 1 shows 12 reports were issued this period. 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
HR / Payroll – PSE system reconciliation	-81.52	Audit split between current and new HR & Payroll systems. Remainder of work on the new system to be carried out February – March 2019
Local Transport Capital block funding grant	-44.67	Grant has been awarded for a number of years so processes have been streamlined.
Bus Subsidy Grant	+57	Queries and number of different services involved resulted in complex audit.
Permit for Utilities working on the highways	-35.14	New audit areas and at time of planning unsure of days required.
Council Tax & NNDR	+13.94	Had to re-perform sample testing due to ICT issues.
Direct Payments Children & Adults	+14.5	Lots of compliance testing undertaken and various service areas involved making audit complex.
Burton Borough School	+ 33.29	Audit scope extended to include catering income and 2 imprest accounts.

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

- 5.5 From Appendix 1 there are 2 amber and 3 red reports issued during this period.

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

Audit Area	Days	Explanation
Burton Borough	12.20	Additional area audited
Council Tax & NNDR (2018-19)	22.26	No concerns, under budgeted time
Electronic Case File Audit (Care first)	18.23	No concerns, under budgeted time
General Ledger (2018-19)	17.43	No concerns, under budgeted time
My Options (Young Peoples Services)	17.26	No concerns, under budgeted time
Ombudsman Complaints	10.43	The time spent depends on how many complaints are received.
Phoenix Leisure Centre	10.22	No concerns, under budgeted time
Purchase Ledger (2018-19)	21.86	No concerns, under budgeted time

- 5.7 From Appendix 3 there are no reports which remain Red/Amber after a follow up has been undertaken.
- 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 Quality Assurance and Improvement Programme

- 6.1 The Audit & Governance Team Leader has continued to undertake quarterly spot checks of audit files to review compliance to the Public Sector Internal Audit Standards (PSIAS) alongside the normal quality review process applied to all audit assignments. No issues were identified during this period.

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	<p>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.</p> <p>In the event that an audit reveals a legal issue or concern this is referred to the Council's Legal Services Team and/or the Council's Monitoring Officer for further advice and assistance.</p>
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 2018/19. 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.

BACKGROUND PAPERS

Annual Audit Plan 2018/19 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: Tracey Drummond Principal Auditor. Telephone 383105

FINAL REPORTS ISSUED 8 SEPTEMBER 2018 – 4 January 2019

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Southall School	Red	January 2019	9.25	8.98	-2.92
Sir Alexander Fleming Primary	Red	January 2019	8.25	8.57	+3.88
Direct Payments Children & Adults	Adults= Red Children = Amber	March 2019	14	16.03	+14.5
My Options Young Peoples Services - Income	Amber	December 2018	30 days for 3 pieces of work in the service area	12.57	To be reported on once all work is complete
Queenswood Primary School	Yellow	April 2019	8.25	7.48	-9.33
Permit for Utilities working on the highways	Yellow	May 2019	7	4.54	-35.14
Local Transport Capital block funding grant	Green	n/a	3	1.66	-44.67
HR / Payroll – PSE system reconciliation	Green	Not Applicable	25	4.62	-81.52
Bus Subsidy Grant	Green	n/a	3	4.71	+57
Council Tax & NNDR	Green	N/A	38	43.3	13.94
Burton Borough School	Green	N/A	9.25	12.33	33.29
Electronic file review	Green	N/A	23	22.66	-1.48

AUDIT WORK UNDERTAKEN FOR THIS PERIOD (8/9/18) - 4/1/19) FOR A PERIOD OF 1 DAY OR MORE

Audit area	Days
Advice & Consultancy including org change	8.83
Benefits (2018-19)	1.82
Burton Borough	12.20
Bus Subsidy Grant	4.56
Cash Collection (2018-19)	7.77
Council Tax & NNDR (2018-19)	22.26
Direct Payments	1.82
Electronic Case File Audit (Care first)	18.23
Follow ups	4.87
General Ledger (2018-19)	17.43
HCA Land Deal - Profit Share / Review Processes	4.51
HR/Payroll (2018-19)	1.14
Local Transport Capital Block Funding grant	1.66
Member reporting	2.60
My Options (Young Peoples Services)	17.26
Ombudsman Complaints	10.43
Phoenix Leisure Centre	10.22
Procurement - Contract review process	2.85
Purchase Ledger (2018-19)	21.86
Queenswood Primary School	4.99
Red & Amber Follow up - Setting up Home Grant	1.02
Review of leisure centre programme	2.52
Sales Ledger (2018-19)	4.83
Sir Alexander Fleming Primary School	7.33
Strengthening Families Grant	1.68