

1 PURPOSE

- 1.1 To update members on the work of Internal Audit for the period 1/1/18 to 27/4/18.
- 1.2 For members to consider and approve the Internal Audit Plan 2018-19

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the information contained in this report in respect to audit work between 1 January 2018- 27th April 2018
- 2.2 That members of the Audit Committee approve the Internal Audit Plan 2018/19 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 audit reports between 1/1/18 – 27/4/18 and the Internal Audit Plan 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
 30 January 2018

5 INTERNAL AUDIT UPDATE

- 5.1 This report provides information on the work of Internal Audit from 1st January – 27th April 2018 and provides an update on the progress of previous audit reports issued (August 2015 – January 2018)
- 5.2 The key focus for the team during the quarter 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 from August 2015 to January 2018 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 4 Amber & 2 Red reports issued this period.

5.4 Appendix 1 shows 17 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
Deprivation of Liberty Safeguards (DoLS).	+39.07%	Audit scope was bigger than originally planned and testing was complex. New SDM in post so spent time going through audit process and agreeing report
Core Groups	+ 69.5%	Complex testing which required sitting with individual managers, included a feedback meeting with the SDM and AD.
My Options Comforts Fund	+184.75%	There were four different funds to review which was unknown when the days were allocated it was thought only to be one
St Luke's RC Primary	-10.2%	School very organised with documentation available on arrival
Purchase Ledger	+14.4%	Development of auditor as it was the first time she had audited this area. Also additional KPMG requirement that all reports produced by the service area, to be used for audit testing, had to be witnessed by the Auditor to ensure parameters were correct.
Housing benefit / council tax support & Concessionary travel	- 21.67%	Key staff were made available for audit testing and to pick up issues which assisted in getting the testing and reports completed timely.

The reasons for the variances are as explained above and the scopes and time allocations for 2018/19 audits will be informed by this information and will be closely monitored.

5.5 From Appendix 1 there were 4 Amber and 2 Red reports issued during this period. 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. Follow ups are either in progress or planned and the results will be reported to the Committee in July.

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

Audit Area	Days	Explanation
Benefits 2017/18	11	Fundamental audit, this time was within the budgeted time planned for this work.
Core Group	10	Planned work as agreed by SDM & AD, this time was within budgeted time.
General Ledger 2017/18	23	Fundamental audit, this time was within the budgeted time planned for this work.
HR & Payroll 2017/18	13	Fundamental audit, this time was within the budgeted time planned for this work.

- 5.7 From Appendix 3 the position on reports which remain Red/Amber after a follow up has been undertaken 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. New audit currently in progress
2	Children's Arrangement orders	Amber	Amber	3rd follow up completed – remains an amber. Further follow up currently in progress
3	Ski & Snowboard Centre	Red	Amber	2 nd Follow up in progress

- 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 during this quarter.

6 INTERNAL AUDIT PLAN 2018/19

- 6.1 Internal Audit has a statutory obligation under legislation to provide assurance to the Council as part of the Council's corporate governance framework and the effective management of risks. It also strives to provide a quality, added value and up to date service for the Council.
- 6.2 Internal Audit work, in addition to obtaining assurance on key areas, risk management and controls for the Council, aims to challenge where controls are not required, question value for money and make suggestions for adjustments to existing controls to make processes more efficient. This contributes to 'Being the Change' and will assist managers and their teams to achieve their objectives, identify further savings and contribute to the achievement of the Council's priorities.
- 6.3 Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance to managers, Members and the Council an annual Audit Plan is developed. Professional Internal Audit standards¹ and good practice set out that Internal Audit planning should be directly linked to the Council's objectives and priorities and be directed by the Audit Charter agreed by the Audit Committee in January 2018. The plan is informed and influenced by previous Internal Audit work, areas highlighted during previous audits, areas identified by management teams, External Audit requirements, the strategic and ICT risk registers, external assessments and local, regional and national networking intelligence.

¹ Public Sector Internal Audit Standards

- 6.4 The annual plan is attached as Appendix 5 with detail at the bottom for the ICT audit work which has been informed by discussion with ICT and challenge from suppliers on the external framework. The plan has been drawn up based on the internal and external resources available for 2018/19 (see 6.5 below), the factors in paragraph 6.3 above and discussions with the CFO. The resultant plan should provide a reasonable level of assurance for 2018/19 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.
- 6.5 The planned resources for 2017/18 were 990 which included 46 days specialist ICT audit work. The resources for 2018/19 are 827 plus 53 days specialist ICT audit work (total resources 880). This reduction is due to the retirement of the Audit SDM.
- 6.6 Based on good practice the plan includes a (approximate) 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.
- 6.7 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.

The 2018/19 plan has been drawn up based on the audit resources available for 2018/19. The plan so far will provide reasonable assurance on the areas outlined and includes all the work identified by the External Auditor that can be undertaken by Internal Audit to meet their requirements.

- 6.8 The risk ratings have been assessed based on a scoring mechanism taking into account the contribution to corporate priorities, the strategic risk register and “Being the Change”. The markings shown in the annual plan represent the following:

H* - required to meet the current External Auditors requirements

H+ - linked to the Ofsted action plan

H++ - linked to the recent external assessment of Internal Audit against the PSIAS

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 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.
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	The draft financial outturn for 2017/18 is currently showing that Audit, IG, Insurance & Investigations have operated within budget for 2017/18. There are further savings expected in 2018/19 but these have been planned for and the restructure in 2017 contributed significantly towards the achievement of these savings. Therefore, the plan will be delivered from the staff resources available within budget, therefore, there are 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 2017/18 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

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FINAL REPORTS ISSUED 1st JANUARY TO 27th April 2018

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Deprivation of Liberty Safeguards (DoLS).	Red	July 2018	14	19.47	+39.07%
ICT – Wireless Network Management Arrangements	Red/ Yellow	April 2018	7 - TIIA*	7	0
Core Groups	Amber	July 2018	8	13.56	+ 69.5%
My Options Comforts Fund	Amber	July 2018	4	11.39	+184.75%
Crudgington Primary	Amber	July 2018	8.25	8.47	+2.66%
Discharge From Hospital	Amber	July 2018	12	13.09	+9.08%
Sales ledger (2017-18)	Yellow	18-19 audit	25	24.27	- 2.92%
HR / Payroll (2017-18)	Yellow	18-19 audit	25	22.60	- 9.6%
ICT Change Release Management	Yellow	October 2018	10 - TIIA	10	0
St Lukes RC Primary	Yellow	July 2018	8.25	7.41	-10.2%
ICT – Help Desk	Yellow	August 2018	8 - TIIA*	8	0
Purchase Ledger	Yellow	As part of 2018-19 audit	25	28.60	+14.4%
ICT Hosting – Libraries & Schools MIS	Yellow	July 2018	8 - TIIA*	8	0
Meadows Primary	Yellow	September 2018	8.25	7.95	-3.63%
Housing Benefit & Council tax support (2017-18)	Yellow	18-19 audit	30	23.5	- 21.67%
Concessionary Travel	Green				
General Ledger (2017-18)	Green	n/a	30	32.60	+ 8.67%

* Work undertaken by specialist third party contractor under framework contract

**AUDIT WORK UNDERTAKEN FOR THIS PERIOD (1/1/18 – 27/4/18) FOR A PERIOD OF 1 DAY
OR MORE**

AUDIT AREA	DAYS
A2A	2
Advice & Consultancy including org change	6
Benefits 2017/18	11
C & A Programme Board	1
Core Group	10
Corporate Governance (AGS)	2
Crudgington Primary School	8
Deprivation of Liberties Safeguards	5
Direct Payments	2
Discharge from Hospital	4
ESF Funding Agreement	2
Follow ups	6
General Ledger - Fixed Asset Module	1
General Ledger 2017/18	23
HCA Land Deal - Profit Share / Review Processes	3
HR & Payroll 2017/18	13
Housing Investment Project - Governance / Assurance review	1
Leisure Working Papers	1
Meadows Primary	8
Millbrook School Fund (Advice)	1
My Options - Comforts fund	9
Ombudsman Complaints	8
Planning / Governance Arrangements	3
Procedures for trading Co / Commercial Projects	6
Purchase Ledger 2017/18	4
Sales Ledger 2017/18	8
School Catering	7
Setting up Home Grant	1
Strengthening Families Grant	2
Stirchley Rec	6