

# TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE: 28 JANUARY 2020

## INTERNAL AUDIT UPDATE REPORT & INTERNAL AUDIT CHARTER

### REPORT OF THE AUDIT & GOVERNANCE TEAM LEADER

#### 1 Purpose

To update members on the progress made against the 2019/20 Internal Audit Plan and to provide information on the recent work of Internal Audit.

The report also includes an update on the Internal Audit Charter.

#### 2 Recommendations

- 2.1 Members of the Audit Committee to note the information contained in this report in respect to Internal Audit work undertaken between 7 September 2019 and 3 January 2020.
- 2.2 Members of the Audit Committee approve the revised Internal Audit Charter.

#### 3 Progress on Completion of the Annual Audit Plan & Changes made to the Plan

- 3.1 Audit Committee members approved the 19/20 Internal Audit Plan at the May committee meeting, Appendix 1 of this report shows the current progress made against the plan. There were originally 69 audits on the annual plan of which we have agreed to remove or defer 11, 13 have been completed and 11 in progress/near completion.

Between the period 7/9/2019 – 3/1/2020 the Principal Auditor attended service areas management meetings to discuss current and planned audits. Following these meetings the following changes were made to the annual audit plan:

Service Area	Audit	Reason
Business Development & Employment	ESF Skills funding agreement	Remove as no added value
Business Development & Employment	Reduction of Youth Unemployment	Remove as no added value
Commercial Services	Homelessness Reduction Act	Defer until 20-21 audit plan due to restructure and scrutiny review
Health & Well-being	Quality Standards – Libraries	Remove as no added value. Include as part of wider corporate audit in 20-21 looking at Customer Service
Health & Well-being	SLA Libraries	Remove, work already completed by service area
Finance & HR	Print & Postage Contract	Remove as currently out to tender
Adult Social Care	Quality Assurance framework	Defer until 20-21 as service area currently implementing the framework
Adult Social Care / Child Protection & Family	Direct Payments	Defer until 20-21 to ensure new process are embedded.

Support/ Customer & Neighbourhood Services		
Neighbourhood & Enforcement Services	Licensing fees for houses of multiple occupation	Removed as no added value.

#### 4 Summary

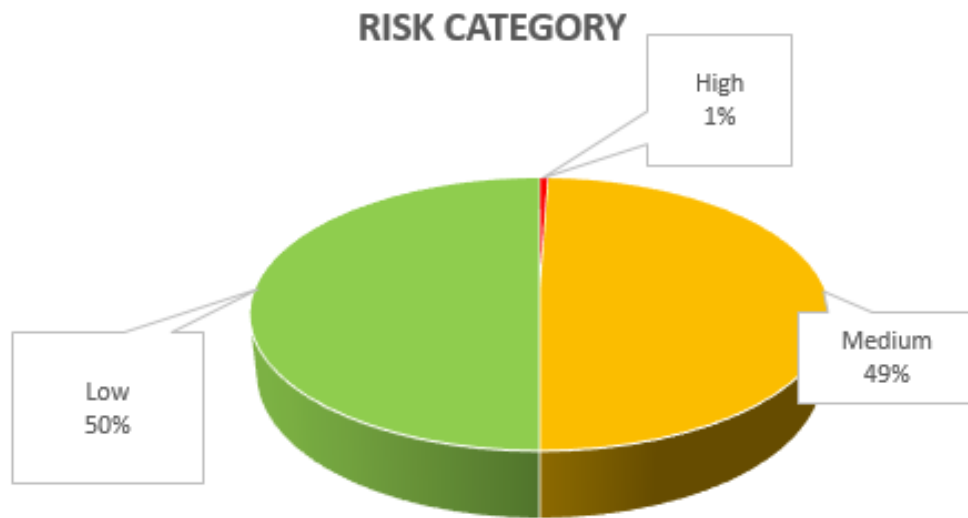
- 4.1 This report provides information on the work of Internal Audit from 7 September 2019 to 3 January 2020 and provides an update on the progress of previous audit reports issued.
- 4.2 The key focus for the team during this period was the completion of the audit plan.
- 4.3 The information included in this progress report will feed into and inform our overall opinion in our Internal Audit Annual Report issued at year-end. All audit reports issued during the year are given an overall audit opinion based on the following criteria:

Level of Assurance/Audit Opinion & Definition	
<p style="text-align: center;"><b>Good (Green)</b></p> <p style="text-align: center;">There is a sound system of control designed to address relevant risks with controls being consistently applied.</p>	<p style="text-align: center;"><b>Reasonable (Yellow)</b></p> <p style="text-align: center;">There is a sound system of control but there is evidence of non-compliance with some of the controls.</p>
<p style="text-align: center;"><b>Limited (Amber)</b></p> <p style="text-align: center;">Whilst there is a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.</p>	<p style="text-align: center;"><b>Poor (Red)</b></p> <p style="text-align: center;">The system of control is weak and there is evidence of non-compliance with the controls that do exist.</p>

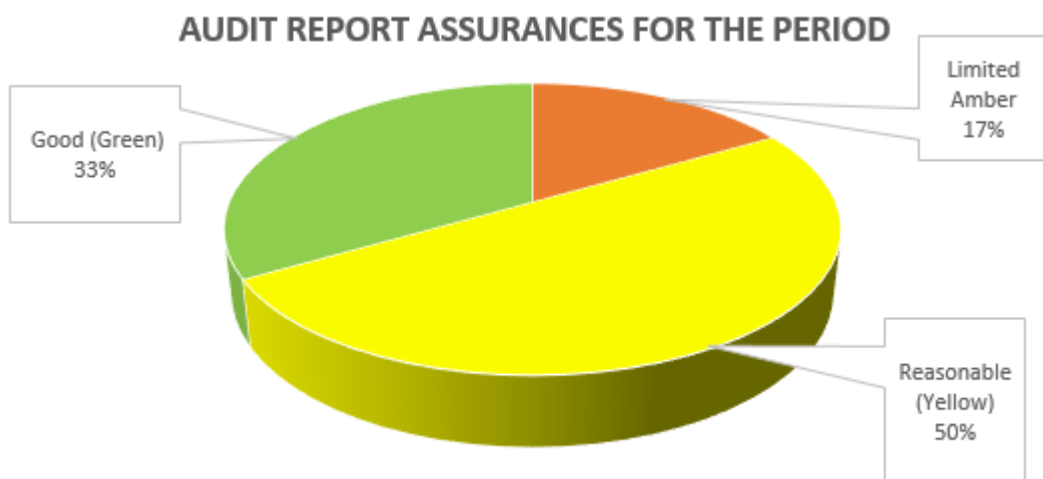
- 4.4 To determine the overall grading of the Internal Audit report each recommendation is risk rated (high, medium or low). The recommendation risk rating is based on the following criteria:

- High risk =** A fundamental weakness which presents material risk to the system objectives and requires immediate attention by management.
- Medium risk =** A recommendation to address a control weakness where there are some controls in place but there are issues with parts of the control that could have a significant impact.
- Low risk =** A recommendation aimed at improving the existing control environment or improving efficiency, these are normally best practice recommendations.

4.5 The chart below shows the number of high, medium and low risk recommendations made for the reports issued during this period.



4.6 The level of assurance (based on table 4.3 above) for audit work undertaken in this period and for the corresponding status at the audit follow up stage is detailed below.



4.7 The information in the above pie charts is broken down in the summary table below. Please note audits in grey text will not be followed up due to the associated audit opinion and level of risk.

<b>AUDIT REPORTS ISSUED BETWEEN 7/9/2019 – 3/1/2020 AND CURRENT STATUS</b>					
<b>Area</b>	<b>Date of Report</b>	<b>Original Audit Grade</b>	<b>Follow up undertaken</b>	<b>Revised Grade</b>	<b>Comments</b>
Holy Trinity	21/10/2019	Amber	17/1/2020	Yellow	
Muxton Primary School	04/12/2019	Amber	Due March 2020		
Randlay Primary	10/09/2019	Reasonable	Due March 2020		
Review of Contracts	19/09/2019	Reasonable	Due March 2020		
Advertising on Council Assets	27/11/2019	Reasonable	Due May 2020		
Donnington Wood Junior School	29/11/2019	Reasonable	Due May 2020		
Wrockwardine Wood Junior	17/12/2019	Reasonable	Due June 2020		
Mobile Device Management	20/12/2019	Reasonable	Due June 2020		
Capital Block funding grant	25/09/2019	Green	n/a		
EHCP 20 week process	04/10/2019	Green	n/a		
Bus Subsidy Grant	23/10/2019	Green	n/a		
Life ready work ready	25/11/2019	Green	n/a		

4.8 Detailed below is the status of any reports previously issued and reported to Audit Committee. Members should note that once reports have reached a green status and have been reported to members they are excluded from future Audit Committee reports.

<b>PREVIOUSLY ISSUED REPORTS &amp; CURRENT STATUS</b>					
<b>Area</b>	<b>Date of Report</b>	<b>Original Audit Grade</b>	<b>Previous status</b>	<b>Current Grade</b>	<b>Current status / Comments</b>
My Options YP services – Operational	20/2/19	Red	1 <sup>st</sup> follow up undertaken May 2019.	Yellow	2 <sup>nd</sup> follow up in progress
My Options Young Peoples Services - Income	21/9/18	Amber	2 <sup>nd</sup> follow up undertaken August 2019. Remained Yellow	Yellow	3 <sup>rd</sup> follow up to be undertaken Feb 2020
Queenswood Primary School	17/10/18	Yellow	1 <sup>st</sup> follow up undertaken May 2019	Green	Follow up undertaken and changed to green grading. No further follow up required
ICT Back Up & Storage	1/3/19	Yellow	Follow up to be undertaken September 2019	Green	Follow up undertaken and grading changed to green therefore no further follow up required
ICT Anti –Virus	1/3/19	Yellow	Follow up to be undertaken September 2019	Yellow	1 <sup>st</sup> follow up undertaken, grading not changed therefore 2 <sup>nd</sup> follow up planned for April 2020
General Data Protection Regulation (GDPR)	17/5/19	Yellow	Follow up to be undertaken November 2019	Green	Follow up undertaken and changed to green grading. No further follow up required
3 <sup>rd</sup> party access wired & wireless network	30/4/19	Yellow	Follow up to be undertaken October 2019	n/a	October follow up not undertaken as recommendations were not due to be implemented until January 2020. Follow up now in progress.
Single sign on	23/4/19	Yellow	Follow up to be undertaken October 2019	n/a	October follow up not undertaken as recommendations were not due to be implemented until January 2020. Follow up now in progress

New Social Care System - Liquidlogic	24/6/19	Yellow	Follow up to be undertaken December 2019	n/a	In Progress
Newport pool	15/8/19	Amber	Follow up due Jan 2020	n/a	Follow up in progress
Syrian Refugee	6/8/19	Yellow	Follow up due Feb 2020	n/a	n/a
Horsehay Golf Centre	23/7/19	Yellow	Follow up due January 2020	n/a	Follow up in progress

Internal Audit is confident and have 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.

## 5 Unplanned work

5.1 There has been no unplanned worked between this period.

## 6 Quality Assurance and Improvement Programme

6.1 Internal Audit maintains a Quality Assurance and Improvement Programme that complies with the Public Sector Internal Audit Standards (PSIAS) alongside the normal quality review process applied to all audit assignments. The Audit & Governance Team Leader undertakes an independent monthly check of 1 or 2 (number dependent on number of completed audits that month) completed audit files to ensure they comply with:

- Requirements of the PSIAS
- Rules of the Code of Ethics
- Agreed Internal Audit process and procedures
- Approved Internal Audit Charter

Only minor Internal Audit procedural issues have been found from these checks and these had been fed back to the Internal Auditors to aid continuous improvement in the service.

## 7 Internal Audit Adding Value

7.1 The Internal Audit function adds value to the Councils services in numerous ways. During this period advice and guidance was given with regard to school imprests and also setting up new process and procedures for volunteers handling cash. As part of the ContrOCC audit additional advice and guidance has been provided including the development of process maps.

## 8 Internal Audit Charter

- 8.1 This charter defines for the Council and the community internal audit activity's purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS)<sup>1</sup> and the Council.
- 8.2 The terms of reference of the Audit Committee require the committee to approve the Internal Audit Charter on an annual basis. The charter has been reviewed by the Audit & Governance Team Leader and changes made to reflect the requirements of the PSIAS. See Appendix 2 for a copy of the revised charter.

## 9 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	Where Audit findings result in changes to service delivery or controls etc the financial consequences are managed as part of the implementation of such changes. Therefore, there are no financial implications of accepting 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.

### Previous minutes:

1 October 2019  
30 May 2019  
29 January 2019  
2 October 2018

<sup>1</sup> PSIAS apply the IIA International Standards to the UK Public Sector and have been endorsed as proper practice by CIPFA the Internal Audit standard setters for Local Government.

24 July 2018  
29 May 2018  
30 January 2018

**Background Papers:**

Annual Audit Plan 2019/20 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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## Appendix 2

### Internal Audit Charter – 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021

#### 1. Introduction

- 1.1 This charter defines for the Council and the community internal audit activity's purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS)<sup>2</sup> and the Council.
- 1.2 This charter will be approved by the Audit Committee, after consultation with senior management<sup>3</sup> and will be reviewed annually.

#### 2. Internal Audit Purpose and Responsibilities

##### 2.1 Internal Audit Purpose

- 2.1.1 The Audit & Governance Team is led by the Audit & Governance Team Leader under the direct management of the Governance & Legal Service Delivery Manager. The team supports the Co-operative Council in the delivery of services to the community to help improve their quality of life and the promotion of Telford & Wrekin as a place of partnership, enterprise and innovation. The team supports the whole Council to deliver economic, efficient and effective services<sup>4</sup> and achieve the Council's programme to ***“Protect, Care and Invest to Create a Better Borough”***.

##### 2.2 Internal Audit Objectives

- 2.2.1 To review the effectiveness of the governance, risk management and control processes of the Council to aid improvement, provide a level of assurance and an opinion on them to the Council.
- 2.2.2 To provide a respected, cost effective, objective and quality internal audit service including the provision of advice and guidance to assist our customers to meet their objectives and improve their services, including the rationalisation of controls, where appropriate.
- 2.2.3 To deliver value adding internal audit activity whilst meeting the requirements of the Public Sector Internal Audit Standards (PSIAS) including the Code of Ethics (especially objectivity and integrity) and the Core Principles for the Professional Practice of Internal Auditing (see ANNEX I).
- 2.2.4 To work with the external auditor and other assurance bodies to provide the most effective internal audit service.
- 2.2.5 To value and continuously develop the team.

##### 2.3 Internal Audit Responsibilities

- 2.3.1 To undertake the statutory Section 151 audit for the Chief Financial Officer (CFO), in line with the Accounts and Audit Regulations 2015.

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<sup>2</sup> PSIAS apply the IIA International Standards to the UK Public Sector and have been endorsed as proper practice by CIPFA the Internal Audit standard setters for Local Government.

<sup>3</sup> Senior management is the Senior Management Team comprising the following officers - Managing Director, Directors and Assistant Directors.

<sup>4</sup> By providing advice and guidance on the management of risks, controls and governance processes in service delivery and by supporting service reviews, restructures and reducing bureaucracy

- 2.3.2 To deliver the Council's risk based annual audit plan taking into account the Accounts and Audit Regulations 2015, the management of risk, senior management consultations, internal and external intelligence, comments from the Audit Committee and any requirements of the External Auditor. The plan is reviewed and amended, if required. Any significant changes are reported to senior management and the Audit Committee.
- 2.3.3 To ensure that there are sufficient resources to deliver the statutory requirements and plan above and to report any potential concerns to the CFO, MO and Audit Committee.
- 2.3.4 To operate as an independent, objective assurance function designed to add value and improve the effectiveness of the governance, risk management and control processes of the Council. The independent assurance work may include financial, performance, compliance, system security and information governance assignments.
- 2.3.5 Internal Audit does not undertake any individual consultancy assignments.
- 2.3.6 To ensure audit assignments are delivered to measure the effectiveness of risk management at a local level.
- 2.3.7 To appropriately manage any potential conflicts of interest in the delivery of internal audit activities and non-audit activities and to periodically rotate the annual audit work between staff.
- 2.3.8 To provide clear, objective and concise internal audit reports to support management in implementing recommendations to improve services and risk management, control and governance processes.
- 2.3.9 To provide responsive, challenging and informative advice and support on risk management, controls and governance to management.
- 2.3.10 To report to the Audit Committee<sup>5</sup> as defined in their terms of reference.
- 2.3.11 To develop and maintain a quality assurance and improvement programme covering all aspects of the internal audit activity.
- 2.3.12 To arrange at least once every 5 years an external assessment of internal audit by an appropriate person<sup>6</sup> from outside the Council. The timing, form of the assessment and the results will be agreed with and reported to the Audit Committee.
- 2.3.13 To investigate and/or support the investigation of cases of suspected financial irregularity, fraud or corruption, except council tax support fraud investigations, in accordance with agreed procedures.
- 2.1.14 To provide appropriate assurance to relevant parties external to the Council. Currently Internal Audit complete the Annual Internal Audit Report for a number of Parish Councils they have contracted with.

## **2.4 Internal Audit Authority**

- 2.4.1 The Audit & Governance Team Leader is the Council's Chief Audit Executive as defined in the PSIAS.
- 2.4.2 The Audit & Governance Team Leader is line managed by the Council's Deputy Monitoring Officer but has unfettered access to the Managing Director, the CFO and all senior managers within the Council.

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<sup>5</sup> The Audit Committee is the Board as defined in the Public Sector Internal Audit Standards

<sup>6</sup> Qualified, independent assessor or assessment team

2.4.3 The Audit & Governance Team Leader has responsibility for non-audit services including Information Governance, Insurance Services and the Corporate Investigations Team. The Audit & Governance Team Leader will communicate any further changes to their scope of responsibility in terms of non-audit functions to the Audit Committee prior to commencement of any such functions. In order to avoid/manage any potential conflicts in respect to the audit of the Information Governance and Insurance functions (and any other future additional functions) the external contractor personnel are used to undertake this work and in addition to standard quality review the results and responses are overseen by the CFO in addition to the Deputy Monitoring/Monitoring Officer.

2.4.4 The Audit & Governance Team Leader in conjunction with the Governance & Legal Service Delivery Manager reports to the Audit Committee but also has unfettered access to the Chair of the Audit Committee, the Leader as Cabinet lead for Governance, other Cabinet Executives and the External Auditor.

2.4.5 In order for Internal Audit officers to be independent and objective whilst undertaking Internal Audit activity they have the authority to:

- enter at all reasonable times any Council premises or land;
- have access to all Council and partner records<sup>7</sup>, documentation and correspondence relating to any financial and/or other transactions or other business of the Council, its employees or members, as considered necessary by the CFO, Monitoring Officer or Audit & Governance Team Leader;
- have access to records belonging to third parties such as contractors or partners when required;
- require and receive such explanations as are regarded necessary concerning any matter under examination from any employee, member, partner or third party; and
- require any employee or member of the Council or any partner/third party to account for cash, stores or any other Council property which is under his/her control or possession on behalf of the Council.

**2.4.6 If at any time it is determined that the independence and/or objectivity of Internal Audit is impaired, the Chief Audit Executive will report this immediately to the Senior Management Team and Audit Committee.**

**2.5 How the Audit & Governance Team Leader will form and evidence his opinion on the control environment to support the Annual Governance Statement.**

2.5.1 The Audit & Governance Team Leader prepares an annual audit plan. Internal Audit planning is informed and influenced by the Council's vision, priorities, "Being the Change" and values, the strategic risk register, the requirements of the External Auditor, previous Internal Audit work, external networking intelligence, discussions with the CFO and consultations with the Council's service area management teams and senior management.

2.5.2 The audit plan outlines the work assignments to be carried out, the resources allocated and the Council priority/ priorities and "Being the Change" aims they contributes to. The plan is flexible in order to reflect the changing needs and priorities of the organisation. Work is carried out by the audit team in accordance with the Standards using a risk based audit methodology and each Internal Audit report provides an opinion on the area reviewed.

**2.6 How Internal Audits work will identify and address significant local and national issues and risks**

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<sup>7</sup> Records include business e-mail and internet records

- 2.6.1 The Audit & Governance Team Leader has quarterly meetings with the Managing Director and CFO. Senior audit staff meet with Assistant Directors and their management teams as required to identify any local and national issues and risks, changes in the service area, and any new areas that require input from Internal Audit.
- 2.6.2 Employees within Internal Audit have access to the West Midlands Internal Audit Groups (including Fraud, Contract and Education sub-groups) and other CPD/networking events through Chartered Institute of Public Finance Accountants and the Chartered Institute of Internal Auditors. These support continued professional development and help to identify any issues that may affect the delivery of internal audit services.

## **2.7 Internal Audit Resources**

- 2.7.1 For 2018/19 the Internal Audit team has a resource of 3.98 full time equivalent (fte) employed staff plus at least 50% of the Audit & Governance Team Leader. In addition there is an external contract<sup>8</sup> which will deliver around 50 days of specialist IT or general audit work.
- 2.7.2 The budget for Internal Audit<sup>9</sup> is approved by the Council as part of the annual service and financial planning strategy following consideration by senior management, Scrutiny and the Cabinet.

## **2.8 Internal Audit and the Audit Committee**

2.8.1 Internal Audit will report to the Audit Committee on the following:

- a) Approval of the Internal Audit Charter;
- b) Approval of the risk based Internal Audit Plan;
- c) Update reports on Internal Audit activity and performance against the plan;
- d) An annual report containing an opinion to inform the Annual Governance Statement; and
- e) Any concerns in respect to Internal Audit resources and the level of assurance that can be provided.

**2.8.2 The Audit Committee will be part of the approval process for appointing the Councils Chief Audit Executive.**

**2.8.3 The Chair of the Audit Committee and the Managing Director will feed into the Annual Personal Performance & Development process for the Chief Audit Executive**

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<sup>8</sup> This has been procured through a framework agreement with Staffordshire County Council, Shropshire Council and Worcestershire County Council for the provision of general and specialist IT audit work.

<sup>9</sup> Including the remuneration of the Audit & IG Manager.

## Public Sector Internal Audit Standards

**MISSION OF INTERNAL AUDITING:** To enhance and protect organisational value by providing value added, risk-based and objective assurance, advice and insight.

### The definition of Internal Auditing within the Standards is:

*Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*

### Code of Ethics - Summary

Internal auditors in UK public sector organisations must conform to the Code of Ethics within the Standards. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

There are 4 principles in the code of ethics:

- 1) Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- 2) Objectivity – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
- 3) Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- 4) Competency – Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.

All public sector officials including internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.<sup>10</sup>

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## Internal Auditing Professional Practices Framework

### Core Principles for the Professional Practice of Internal Auditing

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organization.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement

**Council's values:** – Ownership – Openness & Honesty – Involvement – Fairness & Respect

<sup>10</sup> Information can be found at [www.public-standards.gov.uk](http://www.public-standards.gov.uk)