

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE: 28 JANUARY 2021

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 2020/21 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 planned work undertaken between 12 September 2020 and 4 January 2021 and unplanned work to date.
- 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 2020/21 Internal Audit Plan at the May 2020 committee meeting, Appendix 1 of this report shows the current progress made against the plan. There is a need for the audit plan to be flexible in order to adapt and respond to emerging risks. Due to the Covid-19 pandemic and the unprecedented challenges that schools have faced since March 2020, it was agreed with the Director: Education & Skills to defer the remaining schools audits until the 2021/22 plan. There have also been 14 corporate audits deferred to the 2021/22 plan, again due to the Covid-19 pandemic. Of the 62 scheduled audits on the annual plan, 9 have been completed and 8 are in progress. However the audit team has undertaken a number of unplanned audit assignments (see section 5 for more details) and 29 follow ups have been undertaken to date on reports issued during 2019/20 and 2020/21.

Service areas continue to follow their internal measures of control and, in those more high-risk areas, additional internal controls have been introduced in response to the pandemic. Members of the audit team continue to attend service area management meetings in order to keep the audit plan relevant and focus resources on key areas.

4 Summary

- 4.1 This report provides information on the work of Internal Audit from 12 September 2020 to 4 January 2021 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. As stated above completion of the plan has been affected, both directly and indirectly, by the Councils response to support the local community/businesses during this time.
- 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;">Good (Green)</p> <p>There is a sound system of control designed to address relevant risks with controls being consistently applied.</p>	<p style="text-align: center;">Reasonable (Yellow)</p> <p>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;">Limited (Amber)</p> <p>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;">Poor (Red)</p> <p>The system of control is weak and there is evidence of non-compliance with the controls that do exist.</p>

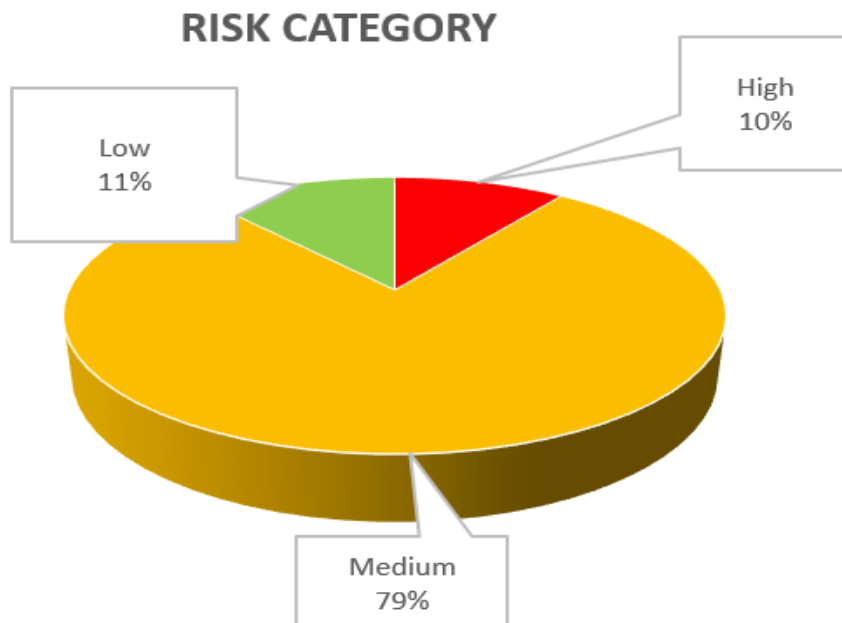
4.4 To determine the overall grading of the Internal Audit report each recommendation is risk rated (high, medium or low). The recommendation risk rating is based on the following criteria:

High risk = A fundamental weakness which presents material risk to the system objectives and requires immediate attention by management.

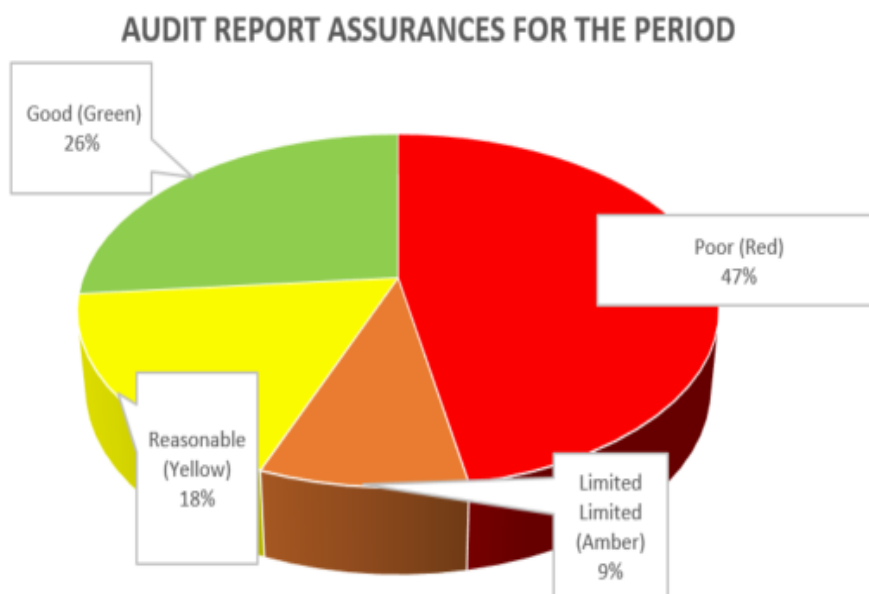
Medium risk = A recommendation to address a control weakness where there are some controls in place but there are issues with parts of the control that could have a significant impact.

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 reports issued in this period 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.

AUDIT REPORTS ISSUED BETWEEN 12/09/2020- 4/1/2021 AND CURRENT STATUS					
Area	Date of Report	Original Audit Grade	Follow up undertaken	Revised Grade	Comments
Fleet Management	17/09/2020	Poor	December 2020	Reasonable	A number of actions have been carried out to improve the risk position of the service area. This has been done in the most challenging of years during which the service area has been responding to a number of emerging and immediate issues arising out of the pandemic
Setting up Home Grant	11/12/2020	Poor	Jan 2021	Amber	
Sales Ledger	29/09/2020	Limited	December 2020	Reasonable	
Woodlands Primary	02/10/2020	Reasonable	Due April 2021	n/a	

Newdale Primary School	17/12/2020	Reasonable	Due June 2021	n/a	
Bus Subsidy Ring-fenced (Revenue) grant determination 2019/20 (31/3644)	24/09/2020	Good	n/a green report	n/a	
Local Government Pension, Teachers' Pension & NHS Pension scheme	25/09/2020	Good	n/a green report	n/a	
Treasury Management	16/11/2020	Good	n/a green report	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.

PREVIOUSLY ISSUED REPORTS & CURRENT STATUS					
Area	Date of Report	Original Audit Grade	Previous status	Current Grade	Current status / Comments
New Social Care System - Liquidlogic	24/6/19	Reasonable	2 nd follow up in progress	Reasonable	2 nd follow complete – remains a yellow but no further follow up to be undertaken.
Muxton Primary School	04/12/2019	Limited	2 nd Follow up due January 2021	Reasonable	2 nd follow up in progress
Cyber Security Follow Up	23/07/2020	Reasonable	Due Jan 2021	Reasonable	2 nd follow up in progress
St Matthews CE Primary	07/09/2020	Reasonable	Follow up due March 2021	n/a	
Newport Junior	26/02/2020	Reasonable	In progress	Good	Follow up completed. Revised audit opinion no further follow up required

Purchase Ledger (2019/20)	17/07/2020	Reasonable	Due Jan 2021	n/a	In progress
St Peters CE Bratton	30/06/2020	Reasonable	Due December 2020	n/a	In progress
CIC Health Assessments	30/06/2020	Reasonable	Due December 2020	n/a	In progress
HR Payroll (2019/20)	10/08/2020	Reasonable	Follow up at 2020/21 audit	n/a	
Firewall Security	27/01/2020	Limited	Due Jan 2021	Reasonable	2 nd follow up in progress
Ice Rink	09/06/2020	Limited	In progress	Good	Follow up completed. Revised audit opinion no further follow up required
ContrOCC - Financial Management Process (2019/20)	28/08/2020	Limited	In progress	Reasonable	2 nd Follow up due April 2021
Section 17 Payments	16/03/2020	Limited	In progress	Reasonable	2 nd follow up in progress
ICT Asset Management	18/03/2020	Limited	Due Oct 2020 – delayed due to Covid	Reasonable	2 nd Follow up due June 2021
The Place	10/08/2020	Poor	18/08/2020	Reasonable	2 nd Follow up due once the theatre has re-opened

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.

5 Unplanned work

5.1 During this period the team have audited a grant for additional home to school & college transport which was received by the Council to help with Covid support. The team have therefore undertaken a total of three unplanned audits during 20/21 and three Town/Parish Council audits in addition to the annual plan. Due to Covid the team have also seen an increase in the number of general advice and guidance requests.

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 some randomly selected (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 have 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, including advice and guidance. During Covid some members of the team have helped support the most vulnerable in the community and are currently working on Covid track and trace. One member of the audit team has been seconded on a temporary 6 month basis to work in the Health Protection Hub, working on test and trace on a fulltime basis. The team has also been involved in assessing grant applications for Covid support funding.

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)¹ 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	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 as appropriate for further advice and assistance. (AL 18/1/2021)
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.

¹ 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.

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. (TS 14/1/2021)
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:

14 July 2020

1 October 2020

28 January 2020

1 October 2019

Background Papers:

Annual Audit Plan 2020/21 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

Rob Montgomery, Audit & Governance Team Leader. Telephone 383103