

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE: 27 MAY 2021

INTERNAL AUDIT UPDATE REPORT

REPORT OF THE AUDIT & GOVERNANCE LEAD MANAGER

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.

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 5 January 2021 to 31 March 2021 and unplanned work to date.

3 Progress on completion of the 2020/21 Annual Audit Plan and 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 to the 2021/22 plan. There have also been 16 corporate audits deferred to the 2021/22 plan, again due to the Covid-19 pandemic. Of the 68 scheduled audits on the annual plan, 16 have been completed and 10 are in progress.

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 5 January 2021 to 31 March 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 audits on the annual 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. 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 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;">Reasonable (Yellow)</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;">Limited (Amber)</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;">Poor (Red)</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>

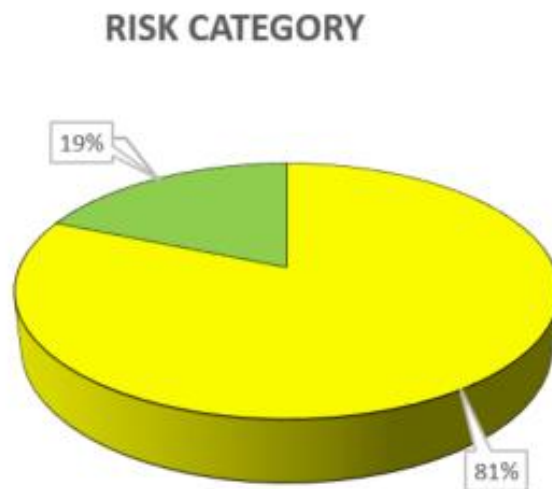
4.4 To determine the overall grading of the Internal Audit report each recommendation is risk rated (high, medium or low). The recommendation risk rating is based on the following criteria:

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

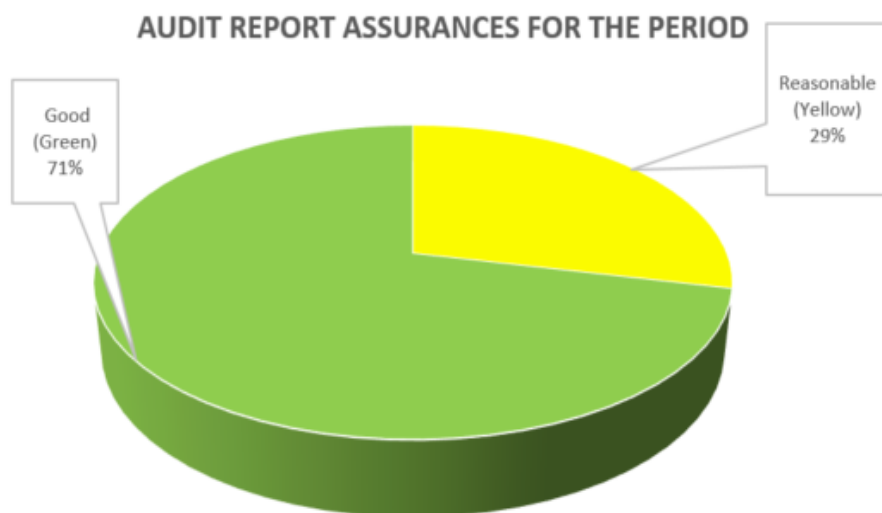
Medium risk = A recommendation to address a control weakness where there are some controls in place but there are issues with parts of the control that could have a significant impact.

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 percentage of medium (yellow segment) and low (green segment) risk recommendations made for the reports issued during this period. No high risk recommendations have been made 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 5/1/2021- 31/3/2021 AND CURRENT STATUS					
Area	Date of Report	Original Audit Grade	Follow up undertaken	Revised Grade	Comments
Building Capacity Grants in the Voluntary Sector	21/01/2021	Reasonable	n/a	n/a	n/a
ICT Patch Management	03/02/2021	Reasonable	n/a	n/a	n/a
Council Tax & NNDR	21/01/2021	Good	n/a	n/a	n/a
ICT - Agresso Financial System	22/01/2021	Good	n/a	n/a	n/a
Balfour Beatty Contract review	26/01/2021	Good	n/a	n/a	n/a

Benefits	28/01/2021	Good	n/a	n/a	n/a
Local Authority Compliance & Enforcement Grant	24/03/2021	Good	n/a	n/a	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
Muxton Primary School	04/12/2019	Limited	2 nd follow up in progress	Reasonable	2 nd Follow up completed. No further follow up to be carried out
Cyber Security Follow Up	23/07/2020	Reasonable	2 nd follow up in progress	Reasonable	3 rd follow up due June 2021
St Matthews CE Primary	07/09/2020	Reasonable	Follow up due March 2021 -	Good	Follow up completed March 2021. Changed to green grading. No further follow up to be carried out
Purchase Ledger (2019/20)	17/07/2020	Reasonable	In progress	Good	Follow up undertaken January 2021, changed to green grading. No further follow up to be carried out
St Peters CE Bratton	30/06/2020	Reasonable	Follow up In progress	Good	Follow up completed and changed to a green grading. No further follow up to be carried out
CIC Health Assessments	30/06/2020	Reasonable	Follow up to be undertaken	n/a	In progress

Firewall Security	27/01/2020	Limited	2 nd follow up in progress	Reasonable	3rd follow up in progress
ContrOCC - Financial Management Process (2019/20)	28/08/2020	Limited	2 nd Follow up due April 2021	Reasonable	New audit to be undertaken during 21/22
Section 17 Payments	16/03/2020	Limited	2 nd follow up in progress	Limited	2 nd follow up completed remains amber grading. The new manager to the service is making good progress in implementing audit recommendations. Progress on implementation is being tracked monthly, with the Director having a clear oversight on this
ICT Asset Management	18/03/2020	Limited	Follow up to be undertaken	Reasonable	2 nd follow up due June 2021
The Place	10/08/2020	Poor	2 nd Follow up due once the theatre has re-opened	Reasonable	2 nd Follow up due once the theatre has re-opened
Fleet Management	17/09/2020	Poor	Follow up undertaken December 2020	Reasonable	2 nd follow up to be undertaken July 21 following transport review
Setting up Home Grant	11/12/2020	Poor	Follow up in progress	Amber	2 nd Follow up in progress
Sales Ledger	29/09/2020	Limited	1 st follow up undertaken December 2020	Reasonable	2 nd follow up to be completed
Woodlands Primary	02/10/2020	Reasonable	Due April 2021	Good	Follow up undertaken and

					changed to green grading. No further follow up to be carried out
Newdale Primary School	17/12/2020	Reasonable	Due June 2021	n/a	n/a

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 The team have undertaken a total of four unplanned audits during 20/21 including the audit of the compliance and enforcement grant and three Town/Parish Council reviews. Due to the effect of Covid, audit have seen a significant increase in the amount of adhoc advice and guidance it has given.

The Internal Audit Team have been successful in securing new commercial customers providing an internal scrutiny function for three academies.

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 Lead Manager undertakes an independent monthly check of 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 they have been fed back to the Internal Auditors during this time 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 Covid affected period, some members of the team have helped support the most vulnerable individuals in the community and have been working on Covid track and trace. One member of the audit team had 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 business grant applications for Covid support funding.

8 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 as appropriate for further advice and assistance.</p> <p>AL 18/05/2021</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	<p>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.</p> <p>TAS 18.5.21</p>
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 2021

Background Papers:

Annual Audit Plan 2020/21
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 Lead Manager. Telephone 383103