

# **TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE: 20 July 2021**

## **INTERNAL AUDIT UPDATE REPORT**

### **REPORT OF THE AUDIT & GOVERNANCE LEAD MANAGER**

#### **1 Purpose**

To update members on the progress made against the 2021/22 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 1 April 2021 to 30 June 2021 and unplanned work to date.

#### **3 Progress on completion of the 2021/22 Annual Audit Plan**

- 3.1 Audit Committee members approved the 2021/22 Internal Audit Plan at the May 2021 committee meeting. Appendix 1 of this report shows the progress made against the 21/22 plan. There is a need for the audit plan to be flexible in order to adapt and respond to emerging risks, however there have been no amendments to the plan to date. There have been 2 audits completed and 7 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 1 April 2021 to 30 June 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.
- 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;"><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>

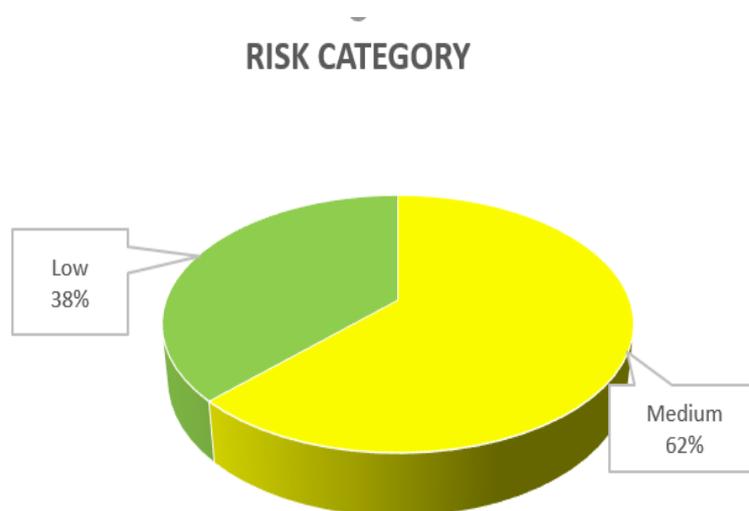
4.4 To determine the overall grading of the Internal Audit report each recommendation is risk rated (high, medium or low). The recommendation risk rating is based on the following criteria:

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

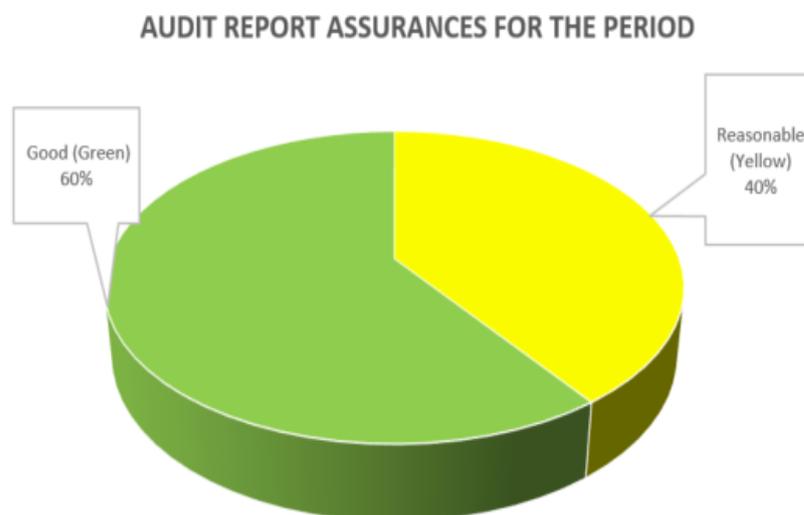
**Medium risk =** A recommendation to address a control weakness where there are some controls in place but there are issues with parts of the control that could have a significant impact.

**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 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.

<b>AUDIT REPORTS ISSUED BETWEEN 1/4/2021- 30/6/2021 AND CURRENT STATUS</b>					
<b>Area</b>	<b>Date of Report</b>	<b>Original Audit Grade</b>	<b>Follow up Due</b>	<b>Revised Grade</b>	<b>Comments</b>
HR & Payroll (2020-21)	06/05/2021	Reasonable	During 2/22 annual audit		
Business Continuity	28/06/2021	Reasonable	September 2021		
Local Transport Grant Capital Block Funding	13/05/2021	Good	n/a – green grading		
Data Privacy	20/05/2020	Good	n/a – green grading		
Bus Subsidy Grant	17/06/2021	Good	n/a – green grading		

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**

<b>Area</b>	<b>Date of Report</b>	<b>Original Audit Grade</b>	<b>Status previously reported to Audit Committee</b>	<b>Current Grade</b>	<b>Current status / Comments</b>
Cyber Security Follow Up	23/07/2020	Reasonable	3rd follow up due June 2021	Reasonable	3 <sup>rd</sup> follow up sent awaiting return
CIC Health Assessments	30/06/2020	Reasonable	In progress	Good	Follow up complete.
Firewall Security	27/01/2020	Limited	3rd follow up in progress	Good	Follow up complete.
Section 17 Payments	16/03/2020	Limited	2 <sup>nd</sup> 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	Limited	3 <sup>rd</sup> follow up in progress
ICT Asset Management	18/03/2020	Limited	2 <sup>nd</sup> follow up due June 2021	Good	Follow up complete
The Place	10/08/2020	Poor	2 <sup>nd</sup> Follow up due once the theatre has re-opened	Reasonable	No change from previous status
Fleet Management	17/09/2020	Poor	2 <sup>nd</sup> follow up to be undertaken July 21 following transport review	Reasonable	2 <sup>nd</sup> follow-up to be carried out following the completion and implementation of the ongoing transport review. It is anticipated that this will be towards the end of FY 21/22

Setting up Home Grant	11/12/2020	Poor	Follow up in progress	Amber	2 <sup>nd</sup> follow up sent awaiting return
Sales Ledger	29/09/2020	Limited	2 <sup>nd</sup> follow up to be completed	Reasonable	2 <sup>nd</sup> follow up sent awaiting return
Newdale Primary School	17/12/2020	Reasonable	Due June 2021	Good	Follow up complete.
ICT Patch Management	03/02/2021	Reasonable	n/a	TBC	Follow up in progress
Building Capacity Grants in the Voluntary Sector	21/01/2021	Reasonable	n/a	n/a	Due July 2021

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 not undertaken any unplanned work as yet during 2021/22, however they have been successful in securing new commercial customers, providing internal audit services for 2 Town Councils and internal scrutiny function for 4 Multi-Academy Trusts.

## 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 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>KF 09/07/20221</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>AEM 05/07/2021.</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  
27 May 2021

#### **Background Papers:**

Annual Audit Plan 2021/22  
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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