



Telford & Wrekin
C O U N C I L

Addenbrooke House Ironmasters Way Telford TF3 4NT

AUDIT COMMITTEE

Date **Tuesday, 25 January 2022** Time **6.00 pm**
Venue **Telford Room, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT**

Enquiries Regarding this Agenda

Democratic Services	Jayne Clarke/ Rhys Attwell	01952 383205/01952 82195
Media Enquiries	Corporate Communications	01952 382406
Lead Officer	Anthea Lowe, Associate Director: Policy & Governance	01952 383200

Committee Membership: Councillors N A M England (Chair), V J Holt, J E Lavery, A Lawrence, K S Sahota, C F Smith (Vice-Chair) and W L Tomlinson

AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Minutes of the Previous Meeting** 3 - 6
To confirm the minutes of the previous meeting.
4. **Treasury Management - update from Link (Treasury Management Advisors)** To Follow
5. **Draft Treasury Management Strategy 2022/2023 and update 2021/2022** To Follow
6. **Internal Audit Activity Report and Update to Internal Audit Charter 2022/2023** 7 - 24
7. **Updated position of the AGS Action Plan 2020/2021**
8. **PSIAS - External Assessment Procurement** 25 - 28
9. **Effectiveness of the Audit Committee survey results** 29 - 36

This page is intentionally left blank

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 28 September 2021 at 6.00 pm in Telford Room, 3rd Floor Addenbrooke House, Ironmasters Way, Telford TF3 4NT

Present: Councillors C Smith (Vice-Chair), V J Holt and W L Tomlinson

In Attendance: K Clarke (Director: Finance & H.R), T Drummond (Principal Auditor), L Gordon (Democracy Officer (Scrutiny)), P Harris (Finance Manager), R Montgomery (Audit & Governance Lead Manager), G Patterson (Key Audit Partner, Grant Thornton), D Rowley (Audit Manager, Grant Thornton), E Rushton (Group Accountant) and R Zacharek (Customer Relationship and Quality Assurance Team Leader)

Apologies: Councillors N A M England and K S Sahota

AU11 Declarations of Interest

None

AU12 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 20 July 2021 noting Cllr Tomlinson's attendance be confirmed and signed by the Chair.

AU13 Annual Customer Feedback Report and assurance on lessons learnt 2020/2021

The Customer Relationship and Quality Assurance Team Leader provided the Committee with an update on the Council's response to complaints between 1 April 2020 and 31 March 2021. The purpose of the report was to provide assurance to the Committee that the response to complaints was effective and the Council were continuously improving. Members heard that there had been a 35% increase in positive comments and an overall 16% decrease in complaints during this period. From the complaints that had been received no discernible pattern had been found suggesting that they were linked to isolated instances. There were 424 corporate stage one complaints received, an 11% reduction on the number of complaints received in 2019/20. This was also the lowest number of complaints received in the previous 7 years. Of the 424 complaints received, 29 were escalated to Stage two of the procedure. This was a 43% decrease on the previous year. Of the corporate complaints received, 82% were responded to within the 15 working day timescale which showed continued improvement since 2017/18 and 2019/20. Of the 29 Stage Two complaints 20 resulted in full investigations, this was a 43% decrease in the full Stage Two Investigations completed in 2019/20. 40% of full investigations were upheld. The average number of days to complete a full investigation was 29 working days. This was an increase on the 24 days taken

in 2019/20. The impact of the COVID-19 pandemic did affect these timescales, however this figure was still within the extended timescale of 65 working days outlined in the complaint policy for stage two investigations.

The Committee heard that during 2020/21 there were 22 complaints escalated to the Local Government and Social Care Ombudsman. Of those complaints two were deemed premature, 15 resulted in no investigation and six cases were still awaiting a decision. There were nine detailed investigations completed in 2020/21, and the Local Government and Social Care Ombudsman had confirmed that there was fault in 8 of these cases. The Customer Relationship and Quality Assurance Team Leader assured the Committee that for each upheld case the Council had learned to improve their practices and that in all cases where fault had been found, the Local Government and Social Care Ombudsman was satisfied that they had successfully implemented their recommendations.

Members noted that they were impressed with the improvement made but would be interested in future to put it into context against other local authorities. They felt that it was good to see that when complaints were upheld by the Ombudsman that it brought about a positive result.

RESOLVED – that the report be noted.

AU14 Report to those Charged with Governance 2020/2021

Grant Thornton presented the report to those Charged with Governance for 2020/2021. The audit was completed remotely from June to September 2021 and was now substantially complete as it was unlikely that any further modification or material changes would be made to the financial statements. An adjustment had been identified to the Council's Comprehensive Income and Expenditure Statement, however this related to the Shropshire County Pension Fund so was outside of Council control.

The Committee heard that there had been no changes or new significant risks identified through the audit. Both management override of controls and improper revenue recognition remained presumed risks, as identified in the audit plan. They had identified a potential uncertainty in respect to the value of land and buildings. It was not proposed that the Council commission formal valuations of these assets as it was expected that the estimated difference would not be material. The valuation of pension fund net liability was susceptible to small changes with inflation or discount rates which could affect liability but this was a result of timing. It was noted that some additional assets sat within NuPlace, but that they had approved their accounts and had no concerns to report around investment properties.

During the debate members commented that the report had been very comprehensive and noted that they were pleased to see no material adjustments. The committee commented that they would be interested to know where the Council were in the wider LA context of delivering accounts and were reassured that they were ahead of the curve.

AU15 Annual Audited Statement of Accounts 2020/2021

The Finance Manger gave an overview of the Statement of Accounts which followed on from Grant Thornton's Audit Findings Report. There was still some work to be done and it was asked that delegated authority be given to the Director: Finance & Human Resources to make any final changes required prior to publication.

The Draft Statement of Accounts were presented to the Committee in May 2021 and made available for public inspection. Changes made to the accounts have been agreed and included in the updated Statement of Accounts presented. Should the Committee approve the accounts a hard copy of the accounts would be sent to the Chair for signature and then following approval published on the website.

RESOLVED – that

- a) the 2020/2021 Statement of Accounts be approved; and
- b) delegated authority be given to the Director: Finance & HR to make any final changes required to the Statement of Accounts prior to publication.

AU16 Internal Audit Update Report & Public Sector Internal Audit Standards Self Assessment

The Principal Auditor, Policy and Governance updated members on the progress made against the 2021/22 Internal Audit Plan and the recent work of Internal Audit from 1 July 2021 to 31 August 21. The Committee heard that 3 audits have been completed and 11 were in progress. Amendments to the audit plan had been made due to long term sickness of an auditor. As a result 5 audits have been deferred to 2022/23. Regarding the status of reports previously issued and reported to the Committee there had been continued improvement in all areas where recommendations had been made. The Internal Audit team had undertaken a piece of unplanned work on the Council's arrangements for managing conflicts of interest. The outcome of this would be reported at the next Audit Committee meeting.

Members were informed that Internal Audit had completed their annual self-assessment of their operations against the Public Sector Internal Audit Standards (PSIAS). The results of the self-assessment showed that Internal Audit out of 134 requirements complied with 129 and partially complied with 5. The Audit Team had devised an action plan to ensure those requirements that were partially complied were fully complied with in future.

RESOLVED- that the report be noted.

AU17 Appointment of External Auditors or April 2023 Onwards

The Audit and Governance Lead Manager outlined that due to requirement for the Council to appoint external auditors for the period commencing the audit of the financial year 2023/23 the Committee must, as per their terms of reference “recommend the appointment of the external auditors to the Council”. The report detailed the three options open to the Council and their corresponding benefits and risks. The third option: opt-in to a sector led body, was how the Council’s current auditors were appointed.

The Committee heard that it was officer’s recommendation that option 3 continued to provide the best value and provided greater certainty and that a suitably qualified and experienced external auditor be appointed within the required timescales.

During the debate Members highlighted that option three provided both value for money and stability which was important but sought clarity on the tenure of appointment. Grant Thornton advised that although dependent on procurement arrangements local government contracts tend to be 5 + 2 years.

RESOLVED – that

- a) The Committee noted the information and options available as set out in section 4 of the report;
- b) option 3, the national Sector Led Body (SLB) appointed by the Government – Public Sector Audit Appointments Ltd to undertake the procurement be agreed;
- c) the approval of the proposal to opt into the PSAA for the purpose of appointing External Auditors for the audit of the financial years 2023/24 onwards be recommended to full Council and delegated authority be granted to the Chief Finance Officer (or their delegated officer) to take all appropriate actions to opt into the PSAA procurement process and engage with the PSAA to inform their specifications and proposed supplier and that this be recommended to full Council
- d) delegated authority should be granted to the Associate Director: Policy & Governance (or their delegated officer) to take all actions needed to enter into all necessary legal documentation required to give effect to this decision and that this be recommended to full Council

The meeting ended at 6.55 pm

Chairman:

Date: Tuesday, 25 January 2022

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE: 25 JANUARY 2022

INTERNAL AUDIT UPDATE REPORT & INTERNAL AUDIT CHARTER

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.

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 1 September 2021 – 31 December 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 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, 11 audits have been completed and 16 are in progress. Amendments to the audit plan have been made due to resource challenges within the team. As a result 7 audits (54 days) have been deferred to 2022/23.

The Principal Auditor/Audit & Governance Lead Manager continue to attend service area management meetings in order to keep the audit plan relevant and focus resources on key areas. These meetings have resulted in 3 further audits being deferred until 2022/23.

Internal Audit are confident that sufficient progress will be made on the completion of any revised audit plan by the end of 2021/22.

4 Summary

- 4.1 This report provides information on the work of Internal Audit from 1 September 2021 – 31 December 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 and fulfilling commercial contracts.
- 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>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>

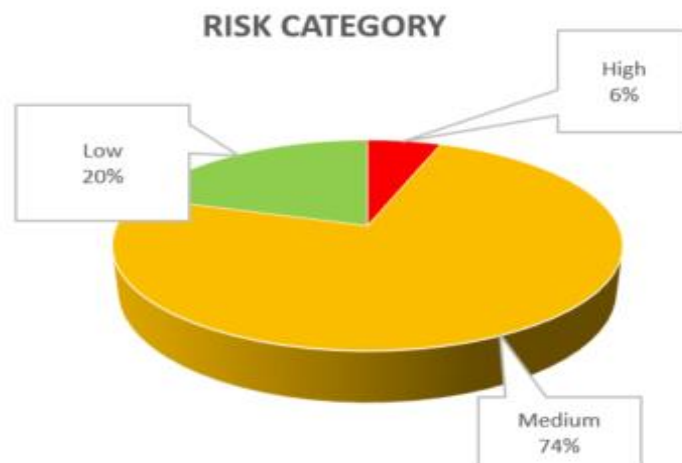
4.4 To determine the overall grading of the Internal Audit report each recommendation is risk rated (high, medium or low). The recommendation risk rating is based on the following criteria:

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

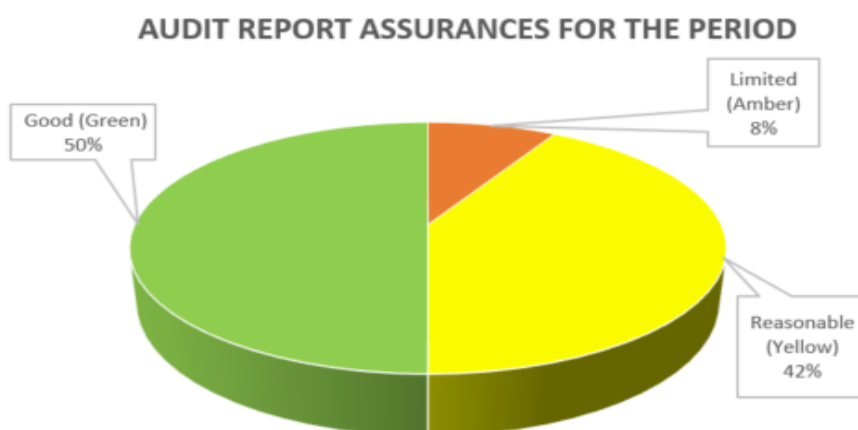
Medium risk = A recommendation to address a control weakness where there are some controls in place but there are issues with parts of the control that could have a significant impact.

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 percentage of high (red segment), medium (yellow segment) and low (green segment) 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.

AUDIT REPORTS ISSUED BETWEEN 1/9/21- 31/12/21 AND CURRENT STATUS						
Area	Date of Report	Level of risk on plan	Original Audit Grade	Follow up Due	Revised Grade	Comments
Database Security	29/09/2021	M	Limited	Jan 22	Good	Follow up completed and grading changed
The Bridge School	08/10/2021	M	Reasonable	Apr 22		
Aqueduct School	26/10/2021	M	Reasonable	Apr 22		
together 4 children	02/12/2021	M	Reasonable	Jun 22		
Process for the Recording of Officers Register of Interests	10/12/21	N/a	Reasonable	May 22		
Car Parking Enforcement	20/12/21	H	Good	Jun 22		
Captain Webb Primary School	28/09/2021	M	Good	n/a		
Office 365	29/09/2021	M	Good	n/a		

Network Security	29/09/2021	M	Good	n/a		
Special Guardianships	08/12/2021	M	Good	n/a		
Additional Home to School & College Transport Grant (2021-22)	19/11/2021	M	Good	n/a		
Making Tax Digital	19/11/2021	M	Good	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	Status previously reported to Audit Committee	Current Grade	Current status / Comments
Section 17 Payments	16/03/2020	Limited	4 th follow up undertaken	Good	Complete. No further follow up.
The Place	10/08/2020	Poor	2 nd follow up undertaken November 2021	Good	Complete. No further follow up
Fleet Management	17/09/2020	Poor	2 nd 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	Reasonable	As previous status – no change.
Setting up Home Grant	11/12/2020	Poor	3 rd Follow up completed September 2021	Reasonable	4 th follow up complete and remains reasonable grading
ICT Patch Management	03/02/2021	Reasonable	2 nd follow up due January 2022.	Good	Complete. No further follow up.

Building Capacity Grants in the Voluntary Sector	21/01/2021	Reasonable	Follow up delayed until September now in progress	Good	Complete. No further follow up.
Business Continuity	28/06/2021	Reasonable	September 2021	Good	Follow up undertaken & grading changed
Lightmoor Primary School	19/7/21	Limited	October 2021	Good	Complete. No further follow up.
Additional Home to School & College Transport Grant (2020-21)	18/8/21	Reasonable	October 2021	Good	Follow up undertaken as part of 2021/22 audit (see report opinion 4.7 above)
Corporate Complaints	23/7/21	Reasonable	January 2022	n/a	
The Linden Centre	26/7/21	Reasonable	January 2022	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 an audit of the Council's processes for recording registers of interest for officers. The outcome of this work is shown above in section 4.7.
- 5.2 Work continues on the commercial contracts with Academies and Town Councils. An additional Multi-Academy Trust has recently bought into the internal audit/scrutiny function, resulting in a total of 8 Academy Trusts using our service. Internal Audit continue to look for opportunities to expand their commercial offering.

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 Audit Committee Terms of Reference

- 7.1 At the Audit Committee meeting on 27 May 2021, members requested that the committee's terms of reference were reviewed to identify any additional responsibilities that could be included. Internal Audit benchmarked the committee's terms of reference with other local authorities Audit Committees and current good practice. The outcome of this review is attached as Appendix 2 to this document. As part of this review it was identified that CIPFA has suggested Audit Committees should have more oversight of climate change measures so that associated risks are being effectively managed.

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 3 below 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 as appropriate for further advice and assistance.</p> <p>RP 21.12.21</p>

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.

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>There are no additional financial implications arising from the recommendations within this report.</p> <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. TAS 21.12.21</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:

1 October 2020
28 January 2021
27 May 2021
20 July 2021
28 September 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

Report by: Tracey Drummond Principal Auditor. Telephone 383105
Rob Montgomery, Audit & Governance Lead Manager. Telephone 383103

Internal Audit Charter – 1st April 2022 to 31st March 2023

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)² and the Council.
- 1.2 This charter will be approved by the Audit Committee, after consultation with senior management³ 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 Lead Manager under the direct management of the Associate Director: Policy & Governance. 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 services⁴ 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 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.

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

⁴ 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

- 2.3.1 To undertake the statutory Section 151 audit for the Chief Financial Officer (CFO), in line with the Accounts and Audit Regulations 2015.
- 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 Committee⁵ 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 person⁶ 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.
- 2.3.14 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
 - Internal audit/scrutiny work for a number of multi academy trusts

2.4 Internal Audit Authority

⁵ The Audit Committee is the Board as defined in the Public Sector Internal Audit Standards

⁶ Qualified, independent assessor or assessment team

- 2.4.1 The Audit & Governance Lead Manager is the Council's Chief Audit Executive as defined in the PSIAS.
- 2.4.2 The Audit & Governance Lead Manager is line managed by the Council's Monitoring Officer but has unfettered access to the Chief Executive, the CFO and all senior managers within the Council.
- 2.4.3 The Audit & Governance Lead Manager has responsibility for non-audit services including Information Governance, Insurance Services, Risk Management and the Corporate Investigation Team. The Audit & Governance Lead Manager 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 Monitoring Officer.
- 2.4.4 The Audit & Governance Lead Manager, in conjunction with the Associate Director: Policy & Governance, reports to the Audit Committee but also has unfettered access to the Chair of the Audit Committee, the Leader, 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 records⁷, 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 Lead Manager;
 - 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 Lead Manager will form and evidence his opinion on the control environment to support the Annual Governance Statement.

- 2.5.1 The Audit & Governance Lead Manager prepares an annual audit plan. Internal Audit planning is informed and influenced by the Council's vision, priorities 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 they contributes to. The plan is flexible in order to reflect the

⁷ Records include business e-mail and internet records

changing needs and priorities of the organisation. Work is carried out by the audit team in accordance with the PSIAS 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

- 2.6.1 The Audit & Governance Lead Manager has quarterly meetings with the Chief Executive and CFO. Senior audit staff meet with 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 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 2021/22 the Internal Audit team has a resource of 3.98 full time equivalent (fte) employed staff plus at least 30% of the Audit & Governance Lead Manager. In addition there is an external contract⁸ which will deliver around 50 days of specialist IT work.
- 2.7.2 The budget for Internal Audit⁹ 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 Chief Executive will feed into the Annual Personal Performance & Development process for the Chief Audit Executive.

⁸ 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.

⁹ Including the remuneration of the Audit & IG Manager. **Page 17**

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*.¹⁰

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

¹⁰ Information can be found at www.public-standards.gov.uk

Audit Area	Service Area
General ledger, assets & capital accounting - fixed asset module (21/22)	Finance & Human Resources
Payroll/HR (21/22)	Finance & Human Resources
Council Tax/NNDR - Debt Recovery only	Finance & Human Resources
Purchase Ledger	Finance & Human Resources
Making Tax Digital	Finance & Human Resources
Local Transport Capital block funding	Finance & Human Resources
Additional dedicated Covid home to school & college transport funding grant	Finance & Human Resources
Special Guardianship	Children's Safeguarding and Family Support
Direct Payments	Children's Safeguarding and Family Support
Controc	Children's Safeguarding and Family Support
Together4children	Children's Safeguarding and Family Support
Preparing Disabled Children for Adulthood	Children's Safeguarding and Family Support
Appointeeship and Deputyship	Adult social care
Quality Assurance Framework	Adult social care
Direct Payments	Adult social care
Financial Case Management	Adult social care
Controc	Adult social care
Preparing for Adulthood	Adult social care
Money Laundering	Policy & Governance
Single Status	Policy & Governance
Risk Management	Policy & Governance
Troubled Families Grant	Policy & Governance
Workforce Strategy	Policy & Governance
Emergency Planning	Health & Wellbeing
Schools (36 schools).reduced to 35 schools	Education & Skills
Leisure Centres (Horsehay bar / OLC)/Ski centre)	Community Customer & Commercial Serv
IT audits (5)	Community Customer & Commercial Serv
Quality standards within the voluntary sector	Community Customer & Commercial Serv
Customer Services	Community Customer & Commercial Serv
Homelessness Reduction Act	Housing & Communities
Bus Subsidy grant	Neighbourhood & Enforcement
Ideverde contract	Neighbourhood & Enforcement
T&W 'Other Assets'	Neighbourhood & Enforcement
Transport Review (Children & Adult Transport)	Neighbourhood & Enforcement
Additional dedicated covid home to school & College transport funding	Neighbourhood & Enforcement
Parking Enforcement	Neighbourhood & Enforcement

Disposal of Land	Property & Investment
BIT	Property & Investment
Covid-19 Grants	Corporate
Climate change / reduction in carbon emissions	Corporate

Original plan	Updated plan
78 audits on the plan	72 audits on the plan

Days	Priority	Update
20	ALL	
25	ALL	In progress
10	ALL	In progress
25	ALL	In progress
12	2 & 5	In progress
3	2 & 5	Complete
3	1,2 & 5	Complete
12	1 & 5	Complete
20	1,2,5	
20	1 & 5	
10	1,2,5	Complete
12	1 & 5	
12	1 & 5	In progress
10	1 & 5	Defer due to audit resources
See above	1,2,5	
15	1,2,5	
10	1 & 5	
See above	1& 5	
10	2	In progress
5	2	Defer due to audit resources
10	all	Defer due to audit resources
12	all	In progress
25	all	
8	all	Defer due to audit resources
175	1,3,5	5 in progress, 5 complete, 1 deferred due to audit resources
39	4, 6all	2 x Deferred - requested by Service area
47	ALL	3 in progress
8	all	Defer due to audit resources
8	all	
25	1,3,5	Deferred - requested by Service area
5	all	Complete
4	all	Deferred - requested by Service area
8	all	
20	all	Deferred - requested by Service area
see above	1,2 & 5	Complete - as above
25	2,3,5	In progress

10	2,3,4,5	Defer due to audit resources
10	2,3,4,5	
25	all	In progress
25	all	In progress

Telford & Wrekin Council Audit Committee

Terms of Reference Comparison Exercise

Background

The Audit Committee tasked Internal Audit with reviewing the committees terms of reference to identify if its scope of responsibility was appropriate and in particular whether the committee should be responsible for overseeing other Council activity.

Comparison Exercise

Internal Audit compared the Audit Committee's current ToR with other ToR's for Audit Committees in other Council's. The ToR for Audit Committees in the following Councils were compared to T&W Councils:

- Sandwell & Wolverhampton Councils (same ToR)
- Birmingham City Council
- Bedford Borough Council
- Newcastle City Council
- Southend Borough Council
- Suffolk County Council

These Councils were chosen as they are part of the internal audit network group, the Local Authority Chief Auditors Network, which T&W attend.

Additions Identified

The following activates in the above Councils ToR that are not included in the T&W ToR are as follows:

Sandwell & Wolverhampton

1	Review the governance and assurance arrangements for significant partnerships or collaborations
---	---

Birmingham

1	To consider reports from the Ombudsman and monitor management response in relation to these.
---	--

Bedford

1	Recommendations on developing the Council's Constitution
2	Assurance that appropriate arrangements are in place for the auditing of partnerships and for regularly reviewing and updating those arrangements.

Newcastle

1	None
---	------

Southend

1	Provide independent assurance of the adequacy of the risk management framework.
---	---

Suffolk

1	Maintain an overview of the Local Government Ombudsman investigations and the LGO Annual Review Letter.
---	---

Areas to Consider Adding to T&W Audit Committee ToR

1. Increased overview of the risk management framework
2. Assurance on the Council's partnership arrangements
3. Maintain an overview of LGO investigations including review of the LGO Annual Letter

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE: 25 JANUARY 2022

EXTERNAL ASSESSMENT IN RESPECT TO THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

REPORT OF THE AUDIT & GOVERNANCE LEAD MANAGER

1 PURPOSE

- 1.1 For members to agree the process for external assessment against the Public Sector Internal Audit Standards (PSIAS).

2 RECOMMENDATIONS

- 2.1 That members agree the procurement route for an external assessment of Internal Audit against the PSIAS with final details to be agreed by the Audit & Governance Lead Manager in consultation with the Chair of the Audit Committee and CFO.

3 SUMMARY

- 3.1 The Public Sector Internal Audit Standards, effective from 1st April 2013, contain the requirement for an external assessment of the Internal Audit function once every 5 years. Our previous assessment took place in January 2017, therefore the council needs to ensure our second assessment is undertaken during 2022. This report sets out the background and proposed options alongside their associated opportunities, risks and costs.
- 3.2 The Chief Internal Auditor must discuss with the Audit Committee:
- The form of the external assessment
 - The qualification and independence of the external assessor or assessment team, including any potential conflicts of interests.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 28th September 2021 – Internal Audit Activity Report
Audit Committee 1st October 2020 – Internal Audit Activity Report

5 EXTERNAL ASSESSMENT OF INTERNAL AUDIT AGAINST THE PUBLIC SECTOR INTERNAL AUDITING STANDARDS (PSIAS)

- 5.1 Standard 1310 of the PSIAS sets out the requirement for a Quality Review and Improvement Programme (QAIP) which includes both internal and external assessments of the Internal Audit activity.
- 5.2 Standard 1311 states that internal assessments should comprise two interrelated parts; on-going monitoring and periodic self-assessment. On-going monitoring covers day to day operational issues such as file reviews and periodic self-assessment looks at compliance

against the standards as a whole and this work is required to be completed by a person within the organisation with sufficient knowledge of internal audit practices. This is currently undertaken by the Audit & Governance Lead Manager and reported to Audit Committee.

- 5.3 Standard 1312 states that an external assessment must be conducted at least once every five years by a qualified, independent assessor, or assessment team from outside the organisation.
- 5.4 External assessments may be accomplished through a full external assessment or a self-assessment with independent external validation.
- 5.5 The Audit & Governance Lead Manager has considered a number of options with regards to the requirements of the external assessment, see summary in the table below:

Option	Comments – Pros and Cons
1. Peer review	<p>This would involve the authorities taking part undertaking a review of another authority.</p> <p>Considerations:</p> <p>(a) Due to different management arrangements for audit teams there is a danger that there would be inconsistencies.</p> <p>(b) Also as Midlands authorities regularly support each other in the development of documents/processes via networking events there is a risk that peer review would not be objective enough.</p> <p>(c) To undertake the reviews ourselves would have a significant impact on our own internal resources. This would include specification, completion of our own individual authority’s self-assessment and collating the necessary documentary evidence, which in itself is a considerable task but then we would be required to spend at least 3 days undertaking an assessment at another authority plus additional days for feedback, compiling a report and presentation to the Audit Committee.</p>
2. Procurement of an external self-assessment	<p>A procurement approach to the external assessment by appointing an external independent body/person to undertake the assessment for all the authorities.</p> <p>Considerations:</p> <p>(a) This option provides a true independent assessment.</p> <p>(b) Good practice ideas from other organisations that the assessors have reviewed.</p> <p>(c) Limited authority time during the assessment – just time for feedback, review of the report and response to Audit Committee.</p> <p>(d) This would be the most costliest option</p> <p>(e) This option would not encompass Internal Audit work already undertaken on the PSIAS self-assessment</p>
3. Hybrid – Procure an external independent assessor & combine with	<p>The Internal Audit team to carry out their own self-assessment annually against the standards which is then verified by an independent external assessor.</p> <p>Considerations:</p>

internal audit self-assessment.	<p>(a) Less intrusive for the Internal Audit team and other colleagues throughout the Authority.</p> <p>(b) Auditors have time to provide evidence and detailed explanation provided without pressures and timeframes stipulated during a site visit of an external assessor.</p> <p>(c) Less time on site by the external assessor therefore resulting in less cost to the Authority</p> <p>(d) The external assessor can share good practice ideas from other organisations that they have reviewed.</p> <p>(e) This is a cost effective solution as it uses work already undertaken by Internal Audit on the PSIAS self-assessment</p>
---------------------------------	---

5.6 Recommended Option – Hybrid approach where the internal self-assessment is reviewed by independent and objective external independent assessment

The Audit & Governance Lead Manager considers this option to be a good mix of using internal assessment resource and receiving external verification of the Council’s Internal Audit arrangements using a cost effective method.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	<p>All members of the Internal Audit Team have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified.</p> <p>The procurement for the External Assessment will follow proper practices in respect to procurement and equalities.</p>
Environmental Impact	<p>All members of the Internal Audit Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager. The procurement process will ensure appropriate sustainability.</p>
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>There is also a requirement to comply with the Public Sector Internal Audit Standards. Undertaking the audits as set out in the report and providing updates to this Committee contributes towards meeting these requirements. In the event that an audit reveals an issue which requires a recommendation concerning a legal matter this can also be referred to the Council’s Legal Services Team for further advice and assistance.</p> <p>RP 21.12.21</p>
Links with Corporate Priorities	<p>All aspects of the Internal Audit teams work support good governance which underpins the achievement of the Council’s objectives and priorities. An effective Internal Audit service will contribute to all corporate priorities and look to identify efficiencies and improvements in effectiveness.</p>

Risks and Opportunities	All aspects of the Internal Audit teams work supports managers and the Council to identify and manage their risks and opportunities.
Financial Implications	The proposed hybrid solution is expected to result in costs of between £5k and £10k for the external element of the assessment subject to a procurement exercise. These and all other associated assessment costs will be met from within the existing resources available in 2022/23. TAS 21.12.21
Ward Implications	The work of the Internal Audit team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.

7 BACKGROUND PAPERS

Annual Audit Plan 2021/22 and Charter
Public Sector Internal Audit Standards
CIPFA Local Government Application Note – April 2013
Internal Professional Practices Framework
Accounts and Audit Regulations – 2015

Report by Audit & Governance Lead Manager

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 25 JANUARY 2021

RESULTS OF THE SURVEY ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE

REPORT OF THE AUDIT & GOVERNANCE LEAD MANAGER

1 PURPOSE

- 1.1 To provide members of the Audit Committee with the results of the survey completed to review the effectiveness of the Audit Committee.

2 RECOMMENDATIONS

- 2.1 That members note the results of the effectiveness survey and agree any action to be taken detailed on **Appendix 2**.

3 SUMMARY

- 3.1 Good governance in local government has supported the introduction of Audit Committees. Surveys on the effectiveness of the activities of the Audit Committee have been undertaken in order to demonstrate good governance, best practice and to inform any training requirements of the committee.
- 3.2 This report sets out the results of the survey for members to review and consider any actions to be taken.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 27th March 2012
Audit Committee 29th January 2013
Audit Committee 26th March 2013
Audit Committee 28th June 2016

5 BACKGROUND

- 5.1 The 2021/22 survey included questions from previous surveys used, surveys used by other local authorities and IIA/CIPFA best practice.
- 5.2 The results have been analysed and are detailed in **Appendix 1**.
- 5.3 Although, overall, the survey results are positive, areas have been identified that may require further development. **Appendix 2** of this report details each of these areas with associated actions to improve the overall effectiveness of the committee.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All reviews should ensure that Equality of Opportunity is adhered to.
Environmental Impact	During audit work reported to the Committee any environmental issues identified are reported to the appropriate level of management.
Legal Implications	There is no legal requirement for a survey to review the effectiveness of the Audit Committee. However, the results of the survey will assist in improving the performance of the Committee and accordingly contributes to the annual "review of the effectiveness of the system of internal control" as required by the Accounts and Audit Regulations 2015 (Regulation 6). Consequently this helps to ensure that the Council has can "undertake an effective internal audit" function (Regulation 5). RP 21.12.21
Links with Corporate Priorities	An effective Audit Committee supports the Council's good governance arrangements and a modern effective Council.
Opportunities and Risks	Reviewing the effectiveness of the Audit Committee supports the management of risks and the operation of controls.
Financial Implications	There are no direct financial implications arising from this report, as any costs arising from the actions agreed will be met from within existing budgets. TAS 21.12.21
Ward Implications	None.

7 BACKGROUND PAPERS

Accounts and Audit Regulations 2015
CIPFA Guidance on Audit Committees 2005
IPF a Toolkit for Local Authority Audit Committees 2006
Previous reports to Audit Committee

Report by Rob Montgomery, Audit & Governance Lead Manager, 83103.

Analysis of Responses to Audit Committee Effectiveness Survey

1. There are clear, up to date terms of reference for the Audit Committee

[More Details](#)

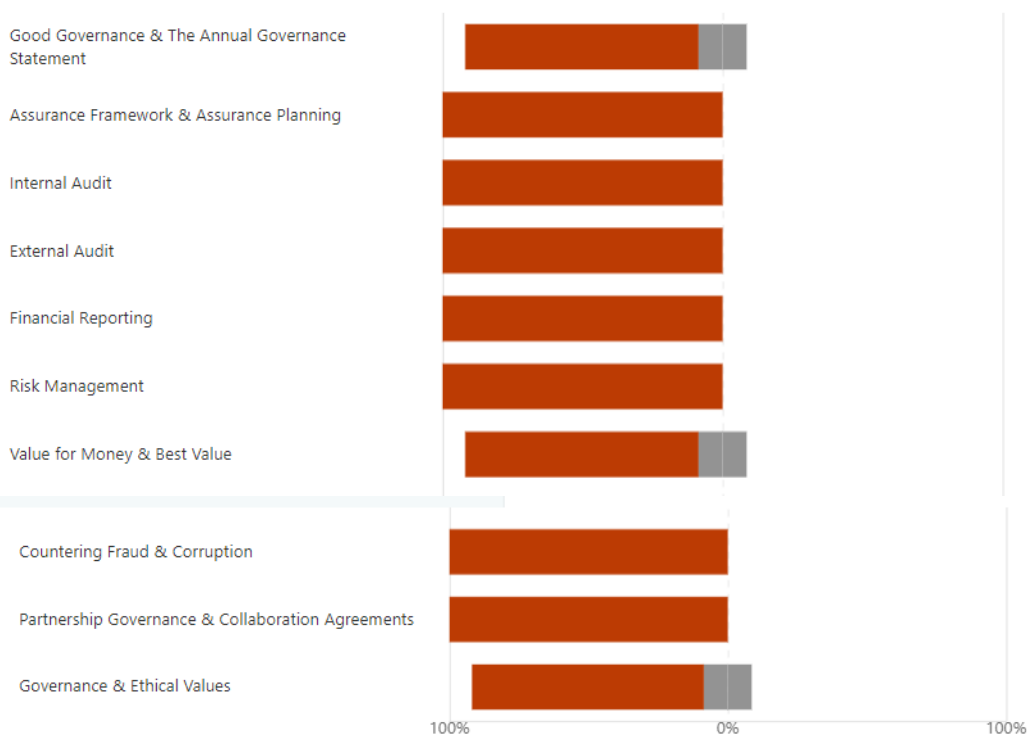
● Yes	6
● No	0
● Not Sure	0



2. Do the terms of reference address all the core areas identified in CIPFAs Position Statement listed below?

[More Details](#)

■ Yes ■ Partly ■ No



3. Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?

[More Details](#)

● Yes	4
● No	0
● Maybe	2



4. Please indicate the date of the last evaluation

[More Details](#)

2
Responses

Latest Responses
"30/09/2021"

5. Where coverage of core areas has been found to be limited, are plans in place to address this?

[More Details](#)

● Yes 6
● No 0



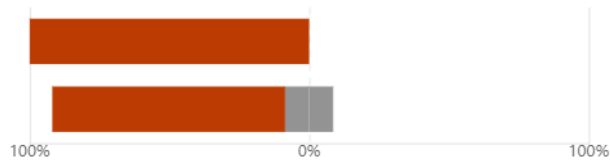
6. An effective Audit Committee structure and composition has been selected, which includes;

[More Details](#)

■ Yes ■ Partly ■ No

Separation from the Chief Executive

An appropriate mix of knowledge and skills among the members



7. Do committee members have access to on-going development activities to update their skills and knowledge?

[More Details](#)

● Yes 6
● No 0



8. All committee members have a good understanding of the different risks inherent in the council's business activities

[More Details](#)

● Yes 4
● No 2



9. Do the terms of reference set out the frequency of Audit Committee meetings?

[More Details](#)

● Yes 6
● No 0



10. Does the Audit Committee calendar meet the council's business needs, governance needs and the financial calendar?

[More Details](#)

● Yes	6
● No	0



11. Are members attending meetings on a regular basis ?

[More Details](#)

● Yes	5
● No	1



12. If not, is appropriate action taken ?

[More Details](#)

● Yes	0
● No	0
● Not Sure	1



13. Are agenda papers circulated in advance of meetings to allow adequate preparation by Audit Committee members?

[More Details](#)

● Yes	6
● No	0



14. Do reports to the Audit Committee communicate relevant information at the right frequency, and in a format that is effective?

[More Details](#)

● Yes	6
● No	0



15. Do committee meetings encourage a high quality of debate with robust and probing discussions?

[More Details](#)

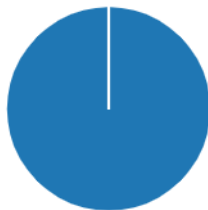
● Yes	6
● No	0



16. The committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings

[More Details](#)

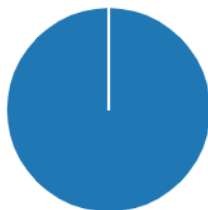
● Yes	6
● No	0



17. The committee actively engages with the external auditors regarding the scope of their work and audit findings

[More Details](#)

● Yes	6
● No	0



18. The committee has open channels of communication with officers and other members to keep it aware of topical/ regulatory issues

[More Details](#)

● Yes	5
● No	1



19. The committee is effective in achieving its terms of reference and adding value to the corporate governance of the council.

[More Details](#)

● Yes	6
● No	0



Development Action Plan

REF	AREA IDENTIFIED FOR DEVELOPMENT	IMPROVEMENT ACTION
1(Q2)	Terms of reference addressing all core areas in the CIPFA Position Statement.	<p>a) The terms of reference for the committee are already under review. Therefore areas that require clarity/development will be looked at as part of this review.</p> <p>b) Revised terms of reference will be presented to the committee for formal approval.</p>
2(Q3)	Annual evaluation to assess if committee is fulfilling its terms of reference.	<p>a) The outline of Audit Committee business will include an evaluation as a standard annual exercise.</p> <p>b) Future evaluation process and results will be reported to the Audit Committee.</p>
3(Q6)	Audit Committee may not include an appropriate mix of knowledge and skills among its members.	<p>a) A skills analysis will be undertaken to identify any knowledge/skill gaps and how to bridge these gaps.</p> <p>b) Gap analysis report will be reported to the Audit Committee.</p>
4(Q8)	Committee members have a good understanding of the different risks inherent in the council's business activities.	<p>a) Increased risk reporting to the Audit Committee.</p> <p>b) Include audit risk rating in activity reports presented to committee.</p>
5(Q11)	Are members attending meetings on a regular basis?	<p>a) Discussions with Democratic Services in respect to the scheduling of meetings.</p>
6(Q18)	Committee has open channels of communication with officers and other members to keep it aware of topical/regulatory issues.	<p>a) This is to be more clearly defined in the terms of reference.</p> <p>b) Investigate asking officers to attend committee meetings to present on topical / regulatory issues.</p>