



# Borough of Telford and Wrekin

## Audit Committee Report

Wednesday 23 November 2022

### Internal Audit Activity Update Report, PSIAS Action Plan Update & The Effectiveness of the Audit Committee

---

<b>Cabinet Member:</b>	Cllr Rae Evans - Cabinet Member: Finance, Governance and Customer Services
<b>Lead Director:</b>	Anthea Lowe - Director: Policy & Governance
<b>Service Area:</b>	Policy & Governance
<b>Report Author:</b>	Tracey Drummond - Principle Auditor & Robert Montgomery - Audit & Governance Team Leader
<b>Officer Contact Details:</b>	<b>Tel:</b> 383105 <b>Email:</b> tracey.drummond@telford.gov.uk <b>Tel:</b> 383103 <b>Email:</b> robert.montgomery@telford.gov.uk
<b>Wards Affected:</b>	All Wards
<b>Key Decision:</b>	Not Key Decision
<b>Forward Plan:</b>	Not Applicable
<b>Report considered by:</b>	Senior Management Team – 8 November 2022

---

#### 1.0 Recommendations for decision/noting:

1.1 It is recommended that members of the Audit Committee note the information contained in this report in respect of:

- Internal Audit planned work undertaken between 23 June 2022 - 30 September 2022 and unplanned work to date;
- the update on the action plan of the Public Sector Internal Audit Standards (PSIAS) external assessment action plan; and
- the update on the effectiveness of the Audit Committee action plan.

## 2.0 Purpose of Report

- 2.1 The purpose of this report is to update Members on the progress made against the 2022/23 Internal Audit Plan and to provide information on the recent work of Internal Audit.
- 2.2 To provide Members with an update on the action plan on the recommendations made in the PSIAS external assessment.
- 2.3 To update Members on the effectiveness of the Audit Committee action plan.

## 3.0 Background

- 3.1 This report provides information on the work of Internal Audit from 23 June 2022 to 30 September 2022 and provides an update on the progress of previous audit reports issued.
- 3.2 The key focus for the team during this period was the completion of audits on the annual audit plan and fulling commercial contracts.
- 3.3 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	
<b>Good (Green)</b> There is a sound system of control designed to address relevant risks with controls being consistently applied.	<b>Reasonable (Yellow)</b> There is a sound system of control but there is evidence of non-compliance with some of the controls.
<b>Limited (Amber)</b> 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.	<b>Poor (Red)</b> The system of control is weak and there is evidence of non-compliance with the controls that do exist.

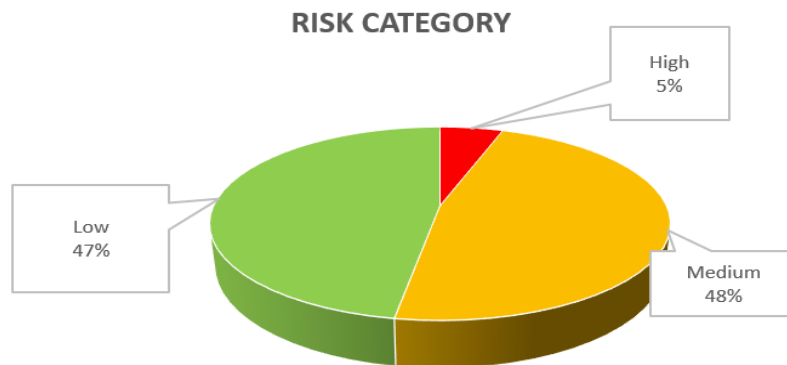
- 3.4 To determine the overall grading of the Internal Audit report each recommendation is risk rated (high, medium or low). The recommendation risk rating is based on the following criteria:

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

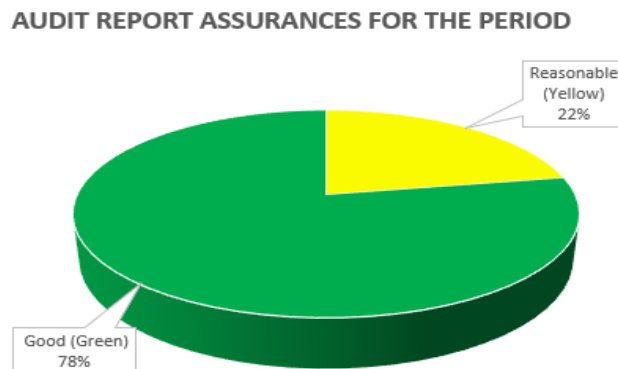
**Medium risk =** A recommendation to address a control weakness where there are some controls in place but there are issues with parts of the control that could have a significant impact.

**Low risk =** A recommendation aimed at improving the existing control environment or improving efficiency, these are normally best practice recommendations.

3.5 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.



3.6 The level of assurance (based on table 4.3 above) for audit reports issued in this period is detailed below.



3.7 The information in the above pie charts is broken down in the summary table below.

<b>AUDIT REPORTS ISSUED BETWEEN 23/6/22- 30/9/22 AND CURRENT STATUS</b>						
<b>Area</b>	<b>Date of Report</b>	<b>Level of risk on plan</b>	<b>Original Audit Grade</b>	<b>Follow up Due</b>	<b>Revised Grade</b>	<b>Comments</b>
Climate Change and Carbon Reduction	26/07/2022	H	Reasonable	Jan-23	N/a	Follow up not yet undertaken
Mobile Endpoint	27/09/2022	M	Reasonable	Mar-23	N/a	Follow up not yet undertaken
Additional drug Treatment Crime & Harm Reduction (21/22)	14/07/2022	M	Good	n/a – green report	N/a	Follow up not yet undertaken
General Ledger (21/22)	19/07/2022	H	Good	n/a – green report	N/a	Follow up not yet undertaken
Local Transport Capital Block funding (pothole) grant	01/08/2022	M	Good	n/a – green report	N/a	Follow up not yet undertaken
Test & Trace Support Payment Grant	08/08/2022	M	Good	n/a – green report	N/a	Follow up not yet undertaken
Bus Subsidy Ring Fenced Revenue Grant	08/08/2022	M	Good	n/a – green report	N/a	Follow up not yet undertaken
ESF - Life Ready Work Ready	22/08/2022	L	Good	n/a – green report	N/a	Follow up not yet undertaken
Treasury Management	30/09/2022	H	Good	n/a – green report	N/a	Follow up not yet undertaken

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

<b>PREVIOUSLY ISSUED REPORTS &amp; CURRENT STATUS</b>					
<b>Area</b>	<b>Date of Report</b>	<b>Original Audit Grade</b>	<b>Status previously reported to Audit Committee</b>	<b>Current Grade</b>	<b>Current status / Comments</b>
Fleet Management	17/09/2020	Poor	2 <sup>nd</sup> follow-up to be carried out following the completion and implementation of the ongoing transport review.	Good	2 <sup>nd</sup> follow up complete. Grading changed to Green, therefore no further follow up due
Register of Interests	10/12/21	Reasonable	Follow up in progress.	Reasonable	Follow up complete. Need to test further once new policy implemented  2 <sup>nd</sup> follow up due Nov 2022
Horsehay Bar	31/03/2022	Poor	Follow up due September 2022	n/a	No change from previous status. Follow up booked end of Oct 2022
Millbrook Primary School	17/02/2022	Limited	1st follow up complete grade changed to Good (Green) however further follow up to be sent for one outstanding recommendation.	Good	Follow up complete. No further follow up to be undertaken
IT Data Back up	04/02/2022	Reasonable	n/a	Good	2 <sup>nd</sup> follow up complete. No further follow up to be undertaken

Lilleshall Primary School	14/02/2022	Reasonable	n/a	Good	1 <sup>st</sup> Follow up complete 2 <sup>nd</sup> follow up due January 23
Haughton	16/02/2022	Reasonable	n/a	Good	Follow up complete
St Lawrence CE Primary	08/03/2022	Reasonable	n/a	Good	Follow up complete, grading changed to Green. No further follow up to be undertaken
St Georges Primary School	14/03/2022	Reasonable	n/a		Follow up delayed to December 2022 due to school staff illness
Council Tax/NNDR	27/04/22	Reasonable	Follow up due Oct 22		Follow up n progress
ICT Software licensing	29/03/2022	Reasonable	Follow up due October 2022		No change from previous status
Purchase Ledger (21/22)	18/6/22	Limited	n/a		Follow up in progress
Apley Wood Primary School (21/22 Plan)	19/05/2022	Reasonable	n/a	Reasonable	1 <sup>st</sup> Follow up complete. 2 <sup>nd</sup> follow up due January 2023
Appointeeship & Deputyship Arrangments (21/22 Plan)	27/5/22	Reasonable	n/a		Follow up in progress
Healthy Weight Management grant	20/6/22	Good	n/a		No follow up to be undertaken as green report

Contained Management Outbreak (COMF) Grant	22/6/22	Good	n/a	No follow up to be undertaken as green report
--	---------	------	-----	---

3.9 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.

#### 4.0 Progress on completion of the 2022/23 Annual Audit Plan

4.1 Audit resources have been spent completing work from the 2022/23 plan and meeting corporate contract commitments.

4.2 Audit Committee members approved the 2022/23 Internal Audit Plan at the May 2022 committee meeting. Appendix 1 of this report shows the progress made against this plan, 10 audits have been completed and 7 are in progress. There have been no changes to the audits shown on the plan since the last audit committee meeting.

#### 5.0 Quality Assurance and Improvement Programme

5.1 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.

#### 6.0 Public Sector Internal Audit Standards (PSIAS) External Assessment Action Plan

6.1 The outcome of CIPFA's external assessment of the Audit Team's compliance with the PSIAS was presented to the Audit Committee on the 19/7/22. Appendix 2 of this report shows the current status of the recommendations made from the assessment.

## **7.0 The Effectiveness of the Audit Committee**

7.1 Results of the exercise to measure the effectiveness of the Audit Committee were presented to members at the 25/1/22 meeting Appendix 3 of this report shows the current status of recommendations made as part of this review.

## **8.0 Summary of main proposals**

8.1 There are no proposals, this report is for information only.

## **9.0 Alternative Options**

9.1 There are no options relating to this report as it is for information only

## **10.0 Key Risks**

10.1 The risks and opportunities in respect to this report will be appropriately identified and managed

## **11.0 Council Priorities**

11.1 The report supports the Council's values that are embedded in the delivery of all the Council's priorities

## **12.0 Financial Implications**

12.1 In circumstances 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. There are no financial implications of accepting the recommendations of this report.

## **13.0 Legal and HR Implications**

13.1 The Accounts and Audit Regulations 2015 (Part 2, Regulation 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.

13.2 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.



## **14.0 Ward Implications**

14.1 The work of the Audit team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards detailed in the Parish Charter.

## **15.0 Health, Social and Economic Implications**

15.1 There are no health, social or economic implications arising from this report.

## **16.0 Equality and Diversity Implications**

16.1 Transparency supports equalities and demonstrates the Council's commitment to be open and fair. 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.

## **17.0 Climate Change and Environmental Implications**

17.1 This report has limited environmental impact due to the nature of the work companies reported undertake.

## **18.0 Background Papers**

- 1 Annual Audit Plan 2022/23
- 2 Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013 and updated January 2017
- 3 CIPFA Local Government Application Note – April 2013

## **19.0 Appendices**

- 1 2022/23 Annual Audit Plan
- 2 PSIAS External Assessment Action Plan
- 3 Update of the Audit Committee Effectiveness Action Plan

## **20.0 Report Sign Off**

<b>Signed off by</b>	<b>Date sent</b>	<b>Date signed off</b>	<b>Initials</b>
Legal	09/11/2022	09/11/2022	RP
Finance	13/10/2022	26/10/2022	MB



Management action plan

1. Enhance the annual declaration form (Advisory)	
Rationale	Agreed Action
Consider enhancing the annual declaration form by including a section for staff to sign to confirm that they have read and understood the 'Core Principles for the Professional Practice of Internal Auditing', the 'Code of Ethics', and the 'Seven Principles of Public Life' revised annual declaration form.	The Audit & Governance Lead Manager will amend the annual declaration form to incorporate the suggested elements.
Action Responsibility	Audit & Governance Lead Manager
Deadline	Form changed immediately and used operationally when next annual declaration required for 23/24.
2. Add a statement on impairments to independence to the annual report (Advisory)	
Rationale	Agreed Action
Include a statement in the annual report to confirm that there have been no impairments to the independence and objectivity of the Audit and Governance Lead Manager or to the Internal Audit Service. If there have been any impairments, these should be set out in the statement along with the action that was taken to remedy the situation.	Agreed. This will be incorporated in the next annual report for 2022/23.
Action Responsibility	Audit & Lead Manager

<b>Deadline</b>	<b>Will be incorporated in the next annual report for 2022/23 produced in May 2023.</b>
-----------------	---

<b>3. Make greater use of data analytical techniques (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
We feel there are opportunities to enhance the way some audits are undertaken, by making greater use of data analytics, first by obtaining and using specialist auditing software, such as IDEA, ACL, Arbutous or similar applications, and second by using general reporting and analysis tools, such as PowerBI which can be used to analyse data that is either already available within the Council, or data that is readily available from external bodies such as CIPFA via the 'Nearest Neighbour' data analysis application	The Principal Auditor and Audit & Governance Lead Manager have investigated opportunities for greater use of data analytics in audit assignments.
<b>Action Responsibility</b>	<b>Principal Auditor and Audit &amp; Governance Lead Manager</b>
<b>Deadline</b>	<b>Complete</b>

<b>4. Consider recording research undertaken for audits on the Auditor's training and development records (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
To enable Auditors to demonstrate that they have undertaken sufficient and relevant learning and development during the year. In the current climate of economic pressure on local authorities it can be difficult for staff to fulfil this requirement. An area of learning and development that is often overlooked by staff and not recorded on their development logs is the research that they have undertaken prior to carrying out an audit or to provide advice to a client. Whilst we acknowledge that time spent on these activities is, quite rightly, allocated to the individual audits, it is also good practice to record the activities on the respective auditors learning and development logs.	Agreed. The Internal Audit Team were aware of this requirement but had not implemented it fully.  A reminder has been given to the team that the process for evidencing CPD activity should include research undertaken prior to undertaking each audit assignment.
<b>Action Responsibility</b>	<b>Audit &amp; Governance Lead Manager</b>
<b>Deadline</b>	<b>Immediate</b>

<b>5. Add a disclaimer and limitations statement to the audit reports (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
Include a disclaimer and limitations of use statement in each audit report. An example of such a statement would be "This report is confidential and has been prepared solely for use by officers named on the distribution list and, if requested, the Council's External Auditor and its Audit Committee to meet legal and professional obligations. It would therefore not be appropriate for this report or extracts from it to be made available to third parties and it must not be used in response to FOI or data protection enquiries without the written consent of the Head of Internal Audit. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it".	Agreed. Disclaimer now included on all audit reports.
<b>Action Responsibility</b>	<b>Audit &amp; Governance Lead Manager</b>

<b>Deadline</b>	<b>Immediate</b>
-----------------	------------------

<b>6. Make the annual assurance opinion mor prominent in the annual report (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
Whilst the annual report includes an annual assurance opinion that fulfils the requirements of the Standards, we feel that it could be made more prominent in the report, either by using bold text or perhaps by relocating it to nearer the front of the report.	Agreed. Annual assurance opinion will be made more prominent when produced for 2022/23.
<b>Action Responsibility</b>	<b>Audit &amp; Governance Lead Manager</b>
<b>Deadline</b>	<b>Will include in the next annual report due by end of May 2023.</b>

## Update on the Audit Committee Effectiveness Action Plan

REF	AREA IDENTIFIED FOR DEVELOPMENT	IMPROVEMENT ACTION	STATUS AT 23/11/22
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>	<p>Review has taken place of the Audit Committee terms of reference.</p> <p>Results of the review were reported to the Audit Committee meeting on 25/1/22.</p> <p>Revised terms of reference approved by Audit Committee on 26/5/22.</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>	<p>On review, it is suggested that the evaluation exercise takes place once every 2 years unless there are major changes which could affect how the committee runs.</p> <p>The next exercise will take place in 2023/24 with the results of this being 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>	This skills exercise will be undertaken in early 2023. Results of the gap analysis will be reported to the Audit Committee.
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>	<p>a) The Council's Corporate Risk Register is now reported more frequently to the Audit Committee.</p> <p>b) Audit risk ratings are included in activity reports presented to the Audit Committee</p>
5(Q11)	Are members attending meetings on a regular basis?	a) Discussions with Democratic Services in respect to the scheduling of meetings.	Discussions on this will take place early in 2023.
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>	<p>a) See 1(Q2) detailed above</p> <p>b) Members of the Audit Committee to be canvassed on what topics/regulatory issues they want to receive more information on</p>