



Borough of Telford and Wrekin

Audit Committee

Tuesday 24 January 2023

Internal Audit Activity and Update to Internal Audit Charter 2023/2024

Cabinet Member:	Cllr Rae Evans - Cabinet Member: Finance, Governance and Customer Services	
Lead Director:	Anthea Lowe - Director: Policy & Governance	
Service Area:	Policy & Governance	
Report Author:	Tracey Drummond - Principle Auditor Rob Montgomery - Audit & Governance Lead Manager	
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Wards Affected:	All Wards	
Key Decision:	Not Key Decision	
Forward Plan:	Not Applicable	
Report considered by:	Senior Management Team – 10 January 2023	

1.0 Recommendations for decision/noting:

It is recommended that members of the Audit Committee

- 1.1 Note the information contained in this report in respect to the Internal Audit planned work undertaken between 1 October 2022 and 31 December 2022 and unplanned work to date.
- 1.2 Members of the Audit Committee approve the revised Internal Audit Charter 2023/24.

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 internal Audit Charter

3.0 Background

- 3.1 This report provides information on the work of Internal Audit from 1 October 2022 to 31 December 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 fulfilling 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	
Good (Green) There is a sound system of control designed to address relevant risks with controls being consistently applied.	Reasonable (Yellow) There is a sound system of control but there is evidence of non-compliance with some of the controls.
Limited (Amber) 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.	Poor (Red) The system of control is weak and there is evidence of non-compliance with the controls that do exist.

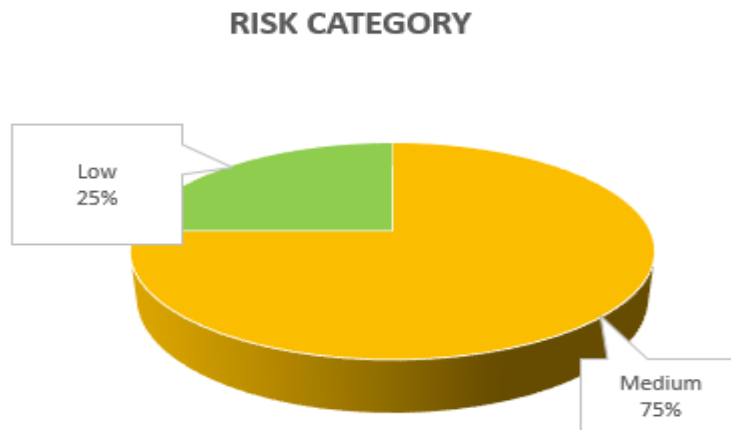
- 3.4 To determine the overall grading of the Internal Audit report each recommendation is risk rated (high, medium or low). The recommendation risk rating is based on the following criteria:

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

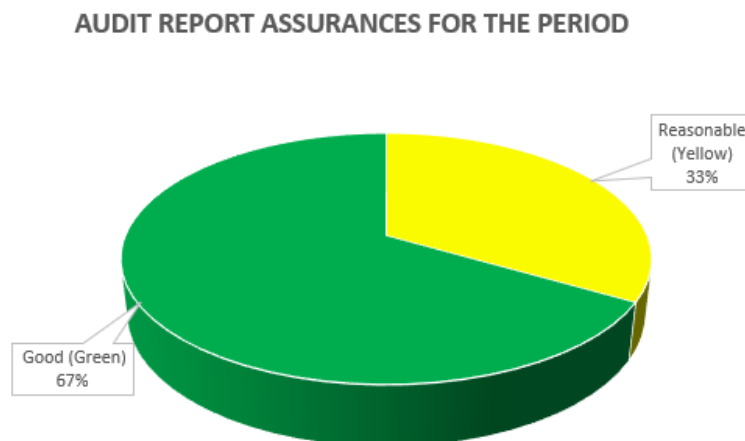
Medium risk = A recommendation to address a control weakness where there are some controls in place but there are issues with parts of the control that could have a significant impact.

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.



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

AUDIT REPORTS ISSUED BETWEEN 1/10/22-31/12/22 AND CURRENT STATUS						
Area	Date of Report	Level of risk on plan	Original Audit Grade	Follow up Due	Revised Grade	Comments
Council liabilities, which fall outside other dedicated budgets ('G100' budget)	14/12/2022	M	Good	n/a – green report		
Green Homes Grant: Local Authority Delivery Grant Determination (2020): No 31/5187 – Phase 2.	31/10/22	M	Good	n/a – green report		
IDT - Asset Management	24/11/22	M	Reasonable	May 23		
Teagues Bridge Primary	3/11/22	M	Reasonable	May 23		
IDT - User Account Management	20/10/22	M	Reasonable	Apr 23		
SS Peter & Pauls Catholic Primary	5/10/22	M	Reasonable	Apr 23		

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.

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PREVIOUSLY ISSUED REPORTS & CURRENT STATUS					
Area	Date of Report	Original Audit Grade	Status previously reported to Audit Committee	Current Grade	Current status / Comments
Fleet Management	17/09/2020	Poor	Follow up to be undertaken end of October 22	Good	Follow up complete. Grading changed to green therefore no further follow up to be undertaken
Register of Interests	10/12/21	Reasonable	Follow up complete. Need to test further once new policy implemented 2 nd follow up due Nov 2022	Reasonable	Follow up complete, grading remains a yellow but low risk therefore no further follow up to be undertaken
Horsehay Bar	31/03/2022	Poor	Follow up booked end of Oct 2022	Reasonable	Follow up complete and grading changed to yellow. Further follow up to be undertaken Feb 2023
Millbrook Primary School	17/02/2022	Limited	Follow up in progress	Good	Follow up complete. Grading changed to green therefore no further follow up to

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					be undertaken
Lilleshall Primary School	14/02/2022	Reasonable	1 st Follow up complete 2 nd follow up due January 23	Good	2 nd follow up to be completed Jan 23
St Lawrence CE Primary	08/03/2022	Reasonable	Follow up in progress	Good	Follow up complete. Grading changed to green therefore no further follow up will be undertaken
St Georges Primary School	14/03/2022	Reasonable	Follow up delayed to December 2022 due to school staff illness	Good	Follow up complete. Grading changed to green therefore no further follow up will be undertaken
Council Tax/NNDR	27/04/22	Reasonable	Follow up due October 2022	Reasonable	Follow up complete. Grading remains unchanged therefore 2 nd follow up due April 23
ICT Software licensing	29/03/2022	Reasonable	Follow up due October 2022	Good	Follow up complete. Grading changed to green therefore no further follow up will be undertaken

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Purchase Ledger (21/22)	18/6/22	Limited	Follow up in progress	N/a	Follow up in progress
Apley Wood Primary School (21/22 Plan)	19/05/2022	Reasonable	1st Follow up complete. 2nd follow up due January 2023	Green	Follow up complete. Grading changed to green therefore no further follow up will be undertaken
Appointeeship & Deputyship Arrangements (21/22 Plan)	27/5/22	Reasonable	Follow up due October 2022	Good	Follow up complete. Grading changed to green therefore no further follow up will be undertaken
Climate Change and Carbon Reduction	26/07/2022	Reasonable	n/a	N/a	Follow up due January 23
Mobile Endpoint	27/09/2022	Reasonable	n/a	N/a	Follow up due March 23

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, 14 audits have been completed and 6 are in progress. There have been no changes to the audits shown on the plan since the last audit committee meeting.

5.0 Unplanned work

- 5.1 The team receive income from auditing school fund accounts and an auditor is employed specifically to undertake this work. This member of staff left the Authority, therefore the Audit Team have been auditing these accounts until a new member of staff was appointed.
- 5.2 Work continues on the commercial contracts with Academies and Town Councils, a total of 8 Academy Trusts and 2 Town Councils are using our service. Internal Audit continue to look for opportunities to expand their commercial offering

6.0 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.

7.0 Internal Audit Charter

- 7.1 The Internal Audit 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.
- 7.2 The terms of reference of the Audit Committee require the committee to approve the Internal Audit Charter on an annual basis. The charter has been reviewed by the Audit & Governance Team Leader and changes made to reflect the requirements of the PSIAS. See Appendix 2 attached to this report.

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.

8.0 Summary of main proposals

8.1 It is proposed that members of the Audit Committee approve the Internal Audit Charter.

9.0 Alternative Options

9.1 Amendments can be made to the Internal Audit Charter, as required by committee members, however the proposed version is based on Officer's recommendations based on national best practice.

10.0 Key Risks

10.1 Should the internal audit charter not be updated then it will not reflect best practice.

11.0 Council Priorities

11.1 A community-focussed, innovative council providing efficient, effective and quality services.

12.0 Financial Implications

12.1 The planned work undertaken by the Internal Audit Team as outlined in this report is funded through the Council's base budget and approved as part of the Medium Term Financial Strategy. Income generated by Internal Audit from commercial contracts is used to offset the overall costs of the Internal Audit Team therefore reducing the amount of base budget required.

12.2 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 as a result of accepting the recommendations of this report.

13.0 Legal and HR Implications

13.1 There are no direct legal or HR implications arising from this report. The Council is required to undertake internal audit activity and to report the outcomes of that activity. It is one way that the Council can demonstrate it is operating transparently and in accordance with good governance.

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 directly 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.

17.0 Climate Change and Environmental Implications

17.1 There are no direct climate change and environmental implications arising from this report.

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 Internal Audit Charter

20.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Legal	12/01/2023	12/01/2023	RP
Finance	04/01/2023	05/01/2023	MB