



## Borough of Telford and Wrekin Audit Committee

Wednesday 31 January 2024

### Internal Audit Activity & Update to Internal Audit Charter 2024/2025

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<b>Cabinet Member:</b>	Cllr Nathan England - Cabinet Member: Finance, Customer Services & Governance	
<b>Lead Director:</b>	Anthea Lowe - Director: Policy & Governance	
<b>Service Area:</b>	Policy & Governance	
<b>Report Author:</b>	Tracey Drummond - Principal Auditor Rob Montgomery - Audit & Governance Lead Manager	
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<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 – 16 January 2024 Audit Committee – 31 January 2024	

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#### 1.0 Recommendations for decision/noting:

Audit Committee are asked to:

- 1.1 Note the information contained in this report in respect to the Internal Audit planned work undertaken between 1 November 2023 and 31 December 2023 and unplanned work to date.
- 1.2 Approve the revised Internal Audit Charter 2024/2025.

## 2.0 Purpose of Report

- 2.1 The purpose of this report is to update members on the progress made against the 2023/24 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 for 2024/25.

## 3.0 Background

- 3.1 This report provides information on the work of Internal Audit from 1 November 2023 to 31 December 2023 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	
<p><b>Good (Green)</b></p> <p>There is a sound system of control designed to address relevant risks with controls being consistently applied.</p>	<p><b>Reasonable (Yellow)</b></p> <p>There is a sound system of control but there is evidence of non-compliance with some of the controls.</p>
<p><b>Limited (Amber)</b></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><b>Poor (Red)</b></p> <p>The system of control is weak and there is evidence of non-compliance with the controls that do exist.</p>

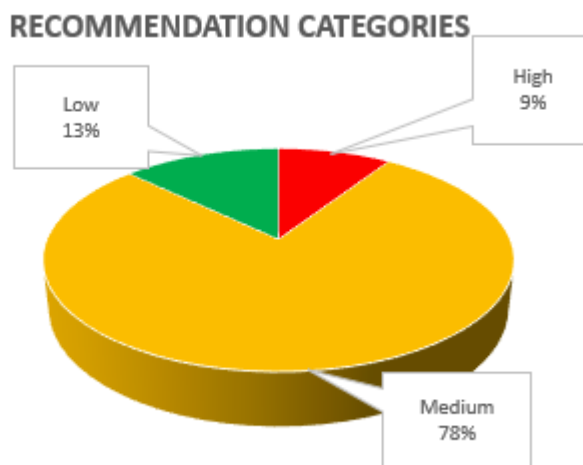
3.4 To determine the overall grading of the Internal Audit report each recommendation is risk rated (high, medium or low). The recommendation risk rating is based on the following criteria:

**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.

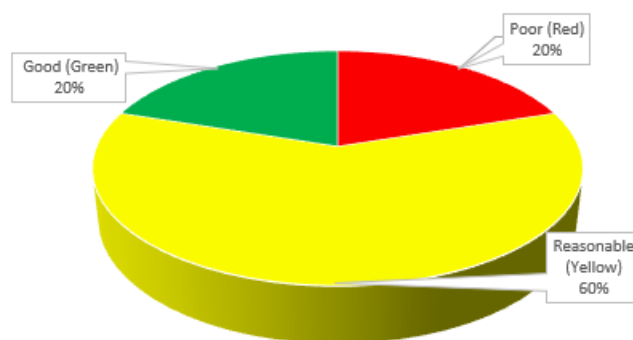
3.5 The chart below shows the percentage of high (red segment), medium (yellow segment) and low (green segment) risk recommendations made for the reports issued during this period.



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

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**AUDIT REPORT ASSURANCES FOR THE PERIOD**



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

<b>AUDIT REPORTS ISSUED BETWEEN 1/11/23– 31/12/23 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>
Direct Payments Adults	28/11/23	H	Poor	Feb 2024		
Muxton Primary School	21/12/23	M	Poor	Mar 2024		
Registrars Income Reconciliation Process	7/11/23	M	Reasonable	May 2024		
Cloud Hosting	16/11/23	M	Reasonable	May 2024		
Purchase Ledger	27/11/23	M	Reasonable	May 2024		
Cash Office	19/12/23	M	Reasonable	Jun 2024		
DWP Compliance	19/12/23	M	Reasonable	Jun 2024		
Household Support Fund	20/12/23	M	Reasonable	Jun 2024		

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COMF Grant	7/11/23	M	Good	N/a Green report		
Local Transport Capital Block Funding Grant	21/12/23	M	Good	N/a Green report		

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>
SS Peter & Pauls Catholic Primary	05/10/2022	Reasonable	Follow up in progress	Good	Follow up undertaken October 2023. No further follow up required
Newport Infant School & Nursery	06/03/2023	Reasonable	Follow up in progress	Good	Follow up undertaken October 2023. No further follow up required
Shortwood Primary School	17/03/2023	Reasonable	Follow up in progress	Good	Follow up undertaken October 2023. No further follow up required
John Fletcher of Madeley Primary School	02/03/2023	Reasonable	Follow up in progress	Good	Follow up undertaken October 2023. No

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					further follow up required
Wombridge Primary	02/05/2023	Reasonable	Follow up due November 23	Good	Follow up undertaken November 2023. No further follow up required
Donnington Wood Infants School	19/09/23	Reasonable	Follow up due March 24	N/a	
Tibberton Primary School	22/09/23	Reasonable	Follow up due March 24	N/a	
Direct Payments Childrens	18/09/23	Poor	Follow up due December 23	Reasonable	1 <sup>st</sup> follow up undertaken. 2 <sup>nd</sup> follow up to be carried out July 24
Child Arrangement Orders	18/10/23	Poor	Follow up due January 24	Limited	1 <sup>st</sup> follow up undertaken. 2 <sup>nd</sup> follow up to be carried out March 24

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 2023/24 Annual Audit Plan

4.1 Audit Committee members approved the 2023/24 Internal Audit Plan at the May 2023 committee meeting. Appendix A of this report shows the progress made against this plan, 19 audits have been completed, 5 are in progress and 12 have been deferred or removed due to requests from the service area, resources within the Audit Team and/or replacements with unplanned audits.

## **5.0 Unplanned work**

- 5.1 The Audit Team have been reviewing discrepancies with stock levels at Telford Theatre and reviewing evidence relating to the CSE Independent Inquiry action plan.
- 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)<sup>1</sup> 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 Lead Manager and changes made to reflect the requirements of the PSIAS. The proposed Internal Audit Charter for 2024/25 is detailed on Appendix B attached to this report.

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<sup>1</sup> 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 Council Priorities**

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

## **9.0 Financial Implications**

9.1 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.

9.2 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.

## **10.0 Legal and HR Implications**

10.1 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.

## **11.0 Ward Implications**

11.1 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.

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

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

## **13.0 Equality and Diversity Implications**

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

#### **14.0 Climate Change and Environmental Implications**

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

#### **15.0 Background Papers**

- 1 Annual Audit Plan 2023/24
- 2 Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013 and updated January 2017

#### **16.0 Appendices**

- A 2023/24 Annual Audit Plan
- B 2024/25 Internal Audit Charter

#### **17.0 Report Sign Off**

<b>Signed off by</b>	<b>Date sent</b>	<b>Date signed off</b>	<b>Initials</b>
Finance	03/01/2024	03/01/2024	AEM
Legal	03/01/2024	11/01/2024	EH