



Borough of Telford and Wrekin

Audit Committee

Wednesday 29 May 2024

Joint Report on Internal Audit Annual Report 2023/24 & The Audit Committee Annual Report 2023/24 & The 2024/25 Annual Audit Plan

Cabinet Member:	Cllr Nathan England - Cabinet Member: Finance, Customer Services & Governance	
Lead Director:	Anthea Lowe - Director: Policy & Governance	
Service Area:	Policy & Governance	
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Wards Affected:	All Wards	
Key Decision:	Not Key Decision	
Forward Plan:	Not Applicable	
Report considered by:	Senior Management Team – 14 May 2024 Audit Committee – 29 May 2024	

1.0 Recommendations for decision/noting:

It is recommended that the Audit Committee:

- 1.1 Note the Internal Audit Annual Report for 2023/24.
- 1.2 Approve the Internal Audit Plan 2024/25, attached as **Appendix B**.
- 1.3 Note the operations of the Audit Committee for 2023/24 attached at **Appendix C**.

2.0 Purpose of Report

The purpose of this report is to present to members:

- 2.1 The 2023/24 Internal Audit Annual Report.
- 2.2 The operations of the Audit Committee for 2023/24.
- 2.3 The 2024/25 Annual Audit Plan.

3.0 Background

3.1 The terms of reference of the Audit Committee include:

1. *“The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan.....”*
9. *‘Consider the effectiveness of the Council’s governance processes and their compliance with legislation and best practice.....’*

This report presents information to meet the requirements of these sections of the terms of reference and to continue to demonstrate good governance and support the Annual Governance Statement (AGS).

The Public Sector Internal Audit Standards are deemed as proper practice under the Accounts and Audit Regulations 2015 for Local Government in England. The standards state:

2450 Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Public sector requirement

The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

This report meets these requirements.

3.2 The Audit Committee is part of the Council's governance and assurance arrangements. The key benefits of the Audit Committee are:

- ✓ raising awareness on the need for and benefits arising from good governance (including risk management) and internal control including the implementation of both internal and external audit recommendations.
- ✓ demonstrating the objectivity and fairness of financial and other reporting.
- ✓ reinforcing the importance and independence of internal and external audit.
- ✓ providing additional assurance through a process of independent and objective review by a cross party group of elected Members who can, and do, challenge Cabinet Members and Senior Officers.

As the key assurance Committee of the Council, it is best practice that an Annual Report is presented to the Council at the May meeting, on the operations of the Committee during the preceding year, in this case 2023-24. The structure of the report is based on the terms of reference and includes a summary of the business conducted by the Committee during this period (attached as **Appendix C**).

4.0 **2023/24 INTERNAL AUDIT ANNUAL REPORT**

4.1 **Assurance and Opinion**

4.1.1 The Council's Section 151 Officer's statutory obligation under the Accounts and Audit Regulations 2015 is to review the effectiveness of the system of internal control is informed by the work of Internal Audit. The assurance derived from this work forms part of the Council's assurance framework.

4.1.2 The system of internal control helps the Council to manage and control the risks which could affect the achievement of its priorities and objectives rather than eliminate them completely. Internal Audit and the other assurance processes therefore provide reasonable and not absolute assurance of the adequacy and effectiveness of the Council's framework of governance, risk management and internal control which is included within the Annual Governance Statement.

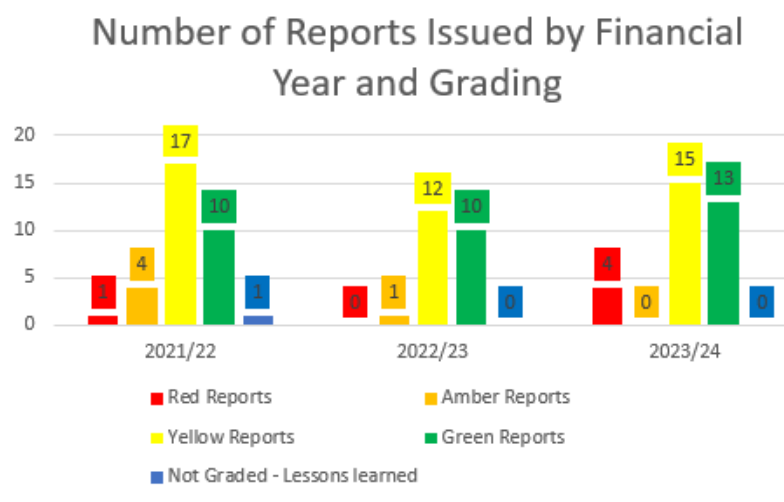
4.1.3 The planned Internal Audit resources for 2023/24 was initially 671 days which included 49 days specialist ICT audit provision provided by Lighthouse Consultancy. During 2023/24 there have been a number of unplanned audit assignments which resulted in some planned audits being removed and replaced with the unplanned work. Deferred audits and resource challenges within the Audit Team, resulted in the plan being reduced to 432 days, Audit Committee have been kept informed throughout the year of changes to the plan

The team achieved 90% of the planned work, see 4.1.8, with some items being rescheduled and included in the 2024/2025 plan.

Based on internal audit work undertaken during the year (areas attached as **Appendix A**), the implementation by management of the agreed

recommendations and assurance obtained from other work/sources, **Internal Audit’s annual opinion provides reasonable assurance in respect to the adequacy and effectiveness of the Council’s framework of governance, risk management and internal control** within the areas of the Council reviewed during the year. See paragraph 5.6 in the Annual Governance Statement for reasoning for giving this opinion.

- 4.1.4 As in previous years senior management have provided information or updates to the Audit Committee where requested to provide explanations as to why progress on the implementation of recommendations was not as agreed.
- 4.1.5 As in previous years this Annual Report includes information in respect to the number of reports issued and their grading. This information is shown below for 2023/24 with comparisons with 2022/23 and 2021/22

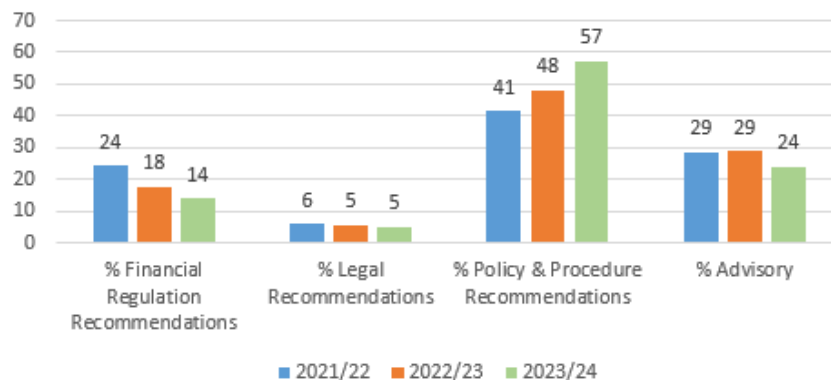


(Grading’s - Green = good; Yellow = reasonable; Amber = limited; Red = poor)

The above graph shows that the number of green, yellow and red reports issued this year has increased from 2022/23, yet the number of amber reports have decreased. However, all gradings remain comparable over the 3 year period. This information is broken down further in paragraph 4.1.6.

- 4.1.6 Further analysis shows the types and percentage of recommendations made in audit reports, and this is detailed in the graph below:

% of Recommendations made by Category and Financial Year



In 2023/24 there were 244 recommendations made in total compared to 146 in 2022/23 and 256 in 2021/22.

- 4.1.7 Internal Audit reports show advisory points, these are low risk findings which managers may find useful to consider but are not of any significant risk to necessitate making a recommendation.
- 4.1.8 The Internal Audit Team has faced resource challenges during the year but has still managed to complete 90% of the annual audit plan. The Internal Audit Team continue to work with services to ensure risks are appropriately managed and adequate systems of internal control are in place.
- 4.1.9 It can be confirmed that in 2023/24, there has been no impairment to the independence and objectivity of the Audit & Governance Lead Manager and/or the Internal Audit Service.

4.2 Public Sector Internal Audit Standards (PSIAS) and External Assessment

- 4.2.1 The Public Sector Internal Audit Standards (defined proper practice under the Accounts and Audit Regulations 2015) were effective from 1st April 2013. It is a requirement that Internal Audit are assessed against these standards every 5 years. The last external assessment, completed by CIPFA in 2022, reported that the Council's Internal Audit Team fully met the requirement of the standards. The findings of the assessment have previously been reported to the Audit Committee.
- 4.2.2 The Quality Assurance & Improvement Programme (QA&IP) was followed during the year. The Audit & Governance Lead Manager undertakes monthly spot checks of completed internal audit work against PSIAS requirements. Any actions/areas for development have been fed back to the Internal Audit team in year lessons learnt from the QAIP are fed into regular reviews of Internal Audit processes and procedures.
- 4.2.3 Improvements to audit processes and procedures are continually being reviewed and updated to ensure compliance with the standards.

4.3 Performance reviewed by External Audit

- 4.3.1 Grant Thornton (UK) LLP were appointed as the Council’s External Auditor for the period 2018-19 to 2022-23 to undertake their own external reviews.
- 4.3.2 The PSAA confirmed in December 2022, that from 2023-24 the Council has new External Auditors, KPMG, who have been appointed for a 5 year period.

4.4 Improvement Activity

- 4.4.1 During the year, to improve the team’s efficiency, effectiveness and productivity, team meetings and development sessions have taken place. Internal Audit have looked to make changes to improve their adherence to the PSIAS and have investigated and implemented new/alternative ways of service delivery. Audit share best practice with other local authorities and regularly attend local network groups.
- 4.4.2 The Audit & Governance Lead Manager and Principal Auditor regularly attend the Local Authority Chief Auditors Network (LACAN). Other members of the team also attend the regional West Midlands Fraud Group (when relevant) which assists in identifying best practice and different approaches to audit work and information exchange.
- 4.4.3 The Internal Audit Team monitor their performance using key performance indicators detailed in the table below. Results for 2023/24 demonstrate that team performance met or exceed targets set, see table below.

KPI Definition	Proposed Target	2023/24 Results
% completion of the annual audit plan.	90%	90%
% of draft audit reports issued within 15 working days from completion of audit fieldwork	90%	94.74%
% of auditees either satisfied or very satisfied with audit work undertaken	90%	100%
% of recommendations accepted at draft stage	95%	96.44%

4.5 Customer Feedback

4.5.1 Internal Audit receives customer feedback in several ways:-

- a) Informal feedback from auditees during the audit
- b) Seeking feedback from auditees at draft report discussion meetings
- c) Completion of a post audit electronic questionnaire

4.5.2 Customer surveys are issued electronically with every completed audit report.

The survey is broken down into different categories (parts of the audit process) and has a number of questions in each section. These sections ask for comments in the following areas: Pre-audit arrangements, audit visit, communication, the reporting process and whether the auditee thinks Internal Audit adds value to their service area.

4.5.3 The table below shows the % of customers who responded to the question in each category as 'excellent' or 'very good'. Responses were compared to 2022/23 results:

2022/23	2023/24
Pre-audit arrangements	
80%	93%
Audit Visit	
100%	100%
Communication	
50%	93%
Reporting	
65%	95%
Added Value	
100%	100%

Results show that 100% of our customer continue to think we are a positive support and add value to their service. As a comparison to 2022/23 the team's customer performance has remained extremely high within all areas included in the customer feedback form.

However, improvements have been made regarding pre-audit arrangements, communication during the audit process and reporting and this is demonstrated in the results shown above.

Improvements continue to be made by staff training and also reviewing audit processes and procedures.

5.0 Conclusion for 2023/24

- 5.1 Internal Audit have performed well and have made a positive contribution to the governance arrangements within the Council. During 2023/24, completion of the audit plan increased from the previous year despite the Council experiencing resource challenges.
- 5.2 The statutory responsibilities of the Council's Chief Financial Officer (Section 151 Officer) in respect to internal audit and internal control have been met and the work of the Internal Audit Team and other assurance activity has provided reasonable assurance to the Council on the adequacy of operation of the Council's internal controls, governance and risk management processes.
- 5.3 The Internal Audit Team have also continued to provide adhoc advice and guidance on governance, procedures, controls, information security and risk management.
- 5.4 However, there are changes occurring both within and outside the Council during 2024/25 and beyond which could affect the team's future activities including:
- a) The continued pressure on the Council's budget strategy
 - b) Further service restructures and re-engineering across the Council, revised governance arrangements and reduced supervisory levels;

6.0 AUDIT COMMITTEE ANNUAL REPORT

6.1 Internal Audit

- 6.1.1 The Internal Audit team has continued to provide the Committee with reports on work undertaken as outlined in the Public Sector Internal Audit Standards (PSIAS - effective from April 2013) and Constitution, highlighting any areas requiring attention by Members.
- 6.1.2 The Internal Audit Plan for 2023/24 was approved by the Committee at the May 2023 meeting and the Internal Audit Charter for 2024/25 was approved by the Committee at the January 2024 meeting.
- 6.1.3 The Audit Annual Update Report was provided to the Committee in May 2023.

6.2 External Audit

- 6.2.1 The External Auditors, Grant Thornton have produced/presented their reports to the Committee as required by legislation, accounting standards and the external audit code of practice. In addition, KPMG have commenced their work but are yet to formally report to Audit Committee.

6.3 Governance

- 6.3.1 The Annual Governance Statement 2022/23 was approved at the May 2023 Audit Committee meeting. An update on the Annual Governance Statement action plan was presented to the committee in January 2024.
- 6.3.2 The July 2023 and January 2024 meeting reviewed the Council's Strategic Risk Register.
- 6.3.3 The 2022/23 Information Governance Annual Report was presented to the Committee in May 2023.

6.4 Treasury Management

- 6.4.1 The Committee received the 2022/23 outturn and in year updates for 2023/24. The Treasury Management Strategy 2023/24 was reviewed prior to approval by Cabinet.

6.5 Statement of Accounts 2022/23

- 6.5.1 The Statement of Accounts was approved by the Committee following external audit at the November 2023 meeting. As in previous years the approval meeting was preceded by a training session with key Finance staff who explained the statements and the changes that had occurred.

6.6 Anti-Fraud & Corruption

- 6.6.1 The 2022/23 Anti-Fraud & Corruption Annual Report and 2022/23 updated policy was received in May 2023.

6.7 General

- 6.7.1 The Committee reviewed its Terms of Reference at its first meeting of the municipal year as set out in the Constitution.

6.8 Conclusions for 2023/24 and the future 2024/25

- 6.8.1 The Committee has considered comprehensive agendas in order to provide assurance for Members and the community on the audit, governance (including information governance), risk management, financial statements, treasury management, complaints and anti-fraud and corruption arrangements of the Council.
- 6.8.2 The Committee recognises that the Council is continuing to experience some significant challenges and that it must continue to seek and provide appropriate assurance during 2024/25. Most notable are the impact of organisational changes, continued significant reductions in resources and the more commercial approach being adopted by the Council.

7.0 Internal Audit Plan 2024/25

- 7.1 Internal Audit has a statutory obligation under legislation to provide assurance to the Council as part of the Council's corporate governance framework and the effective management of risks. It also strives to provide a quality, added value and up to date service for the Council.
- 7.2 Internal Audit work, in addition to obtaining assurance on key areas, risk management and controls for the Council, aims to challenge where controls are not required, question value for money and make suggestions for adjustments to existing controls to make processes more efficient. This will assist managers and their teams to achieve their objectives, identify further savings and contribute to the achievement of the Council's priorities.
- 7.3 Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance to managers, Members and the Council an annual audit plan is developed. Professional Internal Audit standards¹ and good practice set out that Internal Audit planning should be directly linked to the Council's objectives and priorities and be directed by the Audit Charter, agreed by the Audit Committee in January 2024. The plan is informed and influenced by previous Internal Audit work, areas highlighted during previous audits, areas identified by management teams, External Audit requirements, the strategic and ICT risk registers, external assessments and local, regional and national networking intelligence.
- 7.4 The plan is attached as **Appendix B**, it has, has been drawn up based on the internal and external resources available for 2024/25 (see 7.5 below), the factors in paragraph 7.3 above and discussions with the SMT and management. The resultant plan should provide a reasonable level of assurance for 2024/25 but limited to the areas reviewed.
- 7.5 The planned available audit resource for 2024/25 is 610 days. The audit plan is dynamic/scalable as it is based on risk and can change where new risks are identified. Audit therefore intend to continually review the plan and meet with Managers to discuss the audits required to be completed in order to provide a reasonable level of assurance at the end of 2024/25. Audit Committee members will be updated throughout the year with any changes to the 2024/25 plan.
- 7.6 The plan includes approximate 2% contingency to meet any unexpected work requirements, any changes identified during the year or changes to resources during the year. Due to the nature of the plan and its link to risks, during delivery there will be regular dialogue with the Chief Executive, SMT and Managers to ensure that the appropriate risks and controls are being reviewed by the resources available. Any significant changes will be agreed with the Chief Executive and the appropriate Director/Executive Director and will be reported for information to the Senior Management Team and this Committee.

¹ Public Sector Internal Audit Standards

7.7 The External Auditor undertakes their own planning process and presents their plan to the Audit Committee. Internal Audit and Senior Management liaise with them to ensure that duplication is avoided, that the key risks are reviewed and that the external audit fee is minimised. Similar liaison takes place with Scrutiny to avoid duplication or to ensure work is complementary.

8.0 Key Risks

All aspects of the Audit Team's work supports managers and the Council to identify and manage their risks and opportunities.

9.0 Council Priorities

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

10.0 Financial Implications

10.1 There are no direct financial implications arising from the recommendations within this report.

11.0 Legal and HR Implications

11.1 The Accounts and Audit Regulations 2015 sets out the detailed requirements for local authorities in relation to keeping adequate accounting records and control systems, preparing, approving and publishing a statement of accounts, and making various documents available for public inspection and objection and questioning by local electors (note The Local Audit (Public Access to Documents) Act 2017 extends public inspection rights to journalists). Under Regulation 3, the authority "must ensure" that it has (and reviews) a "sound system of internal control" whilst Regulation 5 states that it "must undertake an effective internal audit". There is a new requirement to prepare and publish a "narrative statement", commenting on the authority's financial performance and economy, efficiency and effectiveness in the use of resources over the year.

The information set out in this report illustrates the work that has been undertaken to meet the appropriate statutory requirements.

The Public Sector Internal Audit Standards (PSIAS) is mandatory across the whole of the public sector. The purpose of the PSIAS is defined as follows:

- define the nature of internal auditing within the UK Public Sector;
- set basic principles for carrying out Internal Audit in the UK Public Sector;
- establish a framework for providing internal audit services in respect of organisational processes and operations;
- facilitate the development of an effective Quality Assurance and Improvement Programme and;
- define a mandatory Code of Ethics.

Undertaking the audits as set out in the report, and providing updates and an Annual Report to this Committee contributes towards meeting these requirements.

Further reference to legal requirements and the implementation of those legal requirements in accordance with CIPFA guidance are contained within the main body of the report. 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.

12.0 Ward Implications

12.1 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.

13.0 Health, Social and Economic Implications

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

14.0 Equality and Diversity Implications

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

15.0 Climate Change and Environmental Implications

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

16.0 Background Papers

Annual Audit Plan 2023/24 and Charter
Public Sector Internal Audit Standards – Applying the IIA Internal Standards to the UK Public Sector 2013 and External Assessment January 2017
Accounts and Audit Regulations 2015

17.0 Appendices

- A Work of internal audit during 2023/24
- B 2024/25 Internal Audit Work Plan
- C Audit Committee Activity during 2023/24

18.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Finance	03/05/2024	08/05/2024	AEM
Legal	10/05/2024	16/05/2024	SH

Internal Audit Annual Report 2023/24
The Audt Committee Annual Report 2023/24
The 2024/25 Annual Audit Plan