



Borough of Telford and Wrekin

Audit Committee

Wednesday 27 May 2026

Internal Audit Annual Report and The Audit Committee Work Programme Review for 2025/26 & 2026/27 & The Annual Audit Plan

Cabinet Member:	Cllr Zona Hannington - Cabinet Member: Finance, Governance & Customer Services
Lead Director:	Anthea Lowe - Director: Policy & Governance
Service Area:	Policy & Governance
Report Author:	Rob Montgomery - Head of Governance, Audit & Procurement
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Wards Affected:	All Wards
Key Decision:	Not Key Decision
Forward Plan:	Not Applicable
Report considered by:	SMT – 12 May 2026 Audit Committee – 27 May 2026

1.0 Recommendations for decision/noting:

It is recommended that the Audit Committee:

- 1.1 Note the Internal Audit Annual Report for 2025/26;
- 1.2 Approve the Internal Audit Plan 2026/27; and
- 1.3 Note the information provided regarding the work of the Audit Committee for 2025/26.

2.0 Purpose of Report

2.1 To present the 2025/26 Internal Audit Annual Report, update on the 2025/26 work of the Audit Committee and the 2026/27 Annual Audit Plan.

3.0 Background

3.1 The terms of reference of the Audit Committee include the requirement to monitor progress against the Internal Audit Plan and to consider the effectiveness of the Council's governance processes and the extent to which the Council complies with legislation and best practice.

3.2 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).

3.3 The Global Internal Audit Standards – UK Public Sector (GIAS-UKPS) require the Chief Audit Executive to report annually to the Audit Committee where an internal audit function exists on:

- The purpose of internal audit
- Conformity with the Internal Audit Charter and standards

This Annual Report is written to support the Audit Committee oversight of the effectiveness, independence, quality and resourcing of the internal audit function.

3.4 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.

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4.1 Assurance and Opinion

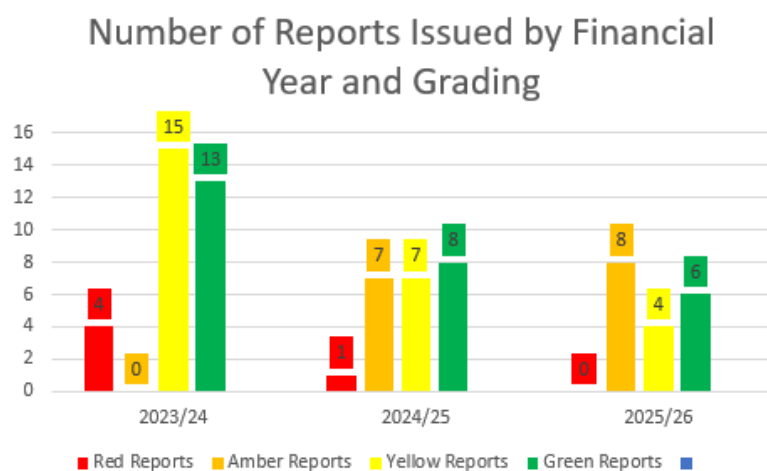
4.1.1 The Council's Section 151 Officer's statutory obligation under the Accounts and Audit Regulations 2015 to review the effectiveness of the system of internal control is informed by the work of Internal Audit. The assurance derived from this work forms part of the Council's assurance framework.

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

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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 2025/26 were 628 days, this includes days needed for external contracts. The team achieved 97% of the planned work, with some items being rescheduled and included in the 2026/2027 plan.
- 4.1.4 Based on internal audit work undertaken during the year, the implementation by management of the agreed recommendations and assurance obtained from other work/sources, the Chief Internal Auditor'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 (also on the agenda for this meeting) for the explanation of how this opinion has been arrived at.
- 4.1.5 As in previous years senior management have provided information or updates to the Audit Committee were requested to provide explanations as to why progress on the implementation of recommendations was not as agreed.
- 4.1.6 The information below details the number of reports issued and their grading. This information is shown below for 2025/26 with comparisons with 2024/25 and 2023/24

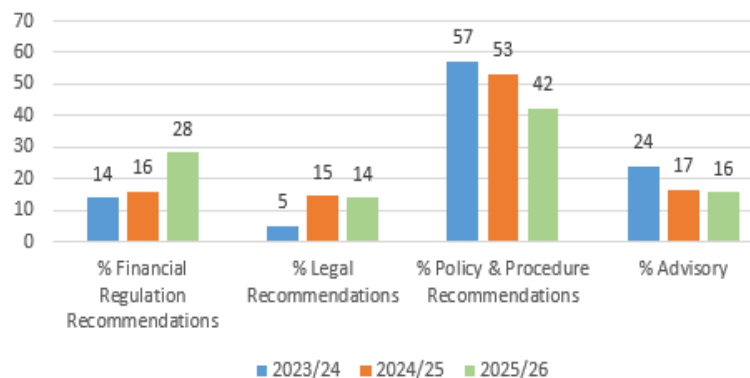


(Grading's - Green = good; Yellow = reasonable; Amber = limited; Red = poor)

The above graph shows that the number of reports issued during 2025/26 and their gradings are comparable with 2024/25, with a slight decrease in the number of yellow graded reports. The overall distribution of gradings has changed over the three-year period, as detailed further in paragraph 4.1.6.

- 4.1.7 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 2025/26 the % of Financial Regulation recommendations increased to 28% from 16% in 2024/25 and 14% in 2023/24. There was no thematic reason for this increase. As part of good governance, Internal Audit will continue to remind services of the requirements to comply with these regulations. The % of policy and procedure recommendations decreased in 2025/26, yet the % of legal recommendations remain comparable to 2024/25.

- 4.1.8 Internal Audit reports also raise advisory points, these are low risk findings which managers may find useful to consider but are not of any significant risk so as to necessitate making a recommendation.
- 4.1.9 The Internal Audit Team has faced some resource challenges during the year as a result of the team having a new member of staff but has still managed to complete 97% 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.
- 4.1.10 The Head of Governance, Audit & Procurement has previously undertaken benchmarking exercises to assess the level of resource of the Internal Audit Team. The output from this exercise highlighted that current resource levels in the Internal Audit Team were adequate.

The Internal Audit Team continually strives to develop and each Auditor maintains their own record of continuous professional development. Skills particularly relevant to information technology and associated themes such as artificial intelligence are reviewed on an ongoing basis and will continue be developed in 2026/27.

- 4.1.11 It can be confirmed that in 2025/26, there has been no impairment to the independence and objectivity of the Head of Governance, Audit & Procurement and/or the Internal Audit Service.

4.2 Global Internal Audit Standards – UK Public Sector (GIAS-UKPS) and External Assessment

- 4.2.1 The Public Sector Internal Audit Standards (PSIAS) (which defined proper practice under the Accounts and Audit Regulations 2015) were effective from 1st April 2013. The PSIAS were subsequently replaced by the GIAS-UKPS from April 2025. 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 Internal Audit Team has undertaken an initial internal assessment of its operations against the requirements of the GIAS-UKPS. This assessment indicates that operations are broadly compliant but there is some minor development requirement needed. The output from this exercise and associated action plan will be presented at the next Audit Committee. Internal Audit has conducted its work in accordance with the GIAS-UKPS and the CIPFA Code of Practice.
- 4.2.3 The Quality Assurance & Improvement Programme (QA&IP) was followed during the year. As part of this programme the Head of Governance, Audit & Procurement undertakes monthly spot checks of completed internal audit work against GIAS-UKPS requirements. Any actions/areas for development have been fed back to the Internal Audit team in year and lessons learnt from the QA&IP are fed into regular reviews of Internal Audit processes and procedures.
- 4.2.4 Audit processes and procedures remain under continuous review to ensure lessons learnt are implemented and to ensure that the team is operating within best practice to ensure compliance with the standards.

4.3 Performance reviewed by External Audit

- 4.3.1 KPMG were appointed as the Council's External Auditor from 2023/24 for a 5 year period. KPMG undertake their own external reviews including the signing off of the Council's financial statements. This includes consideration of the activity of the Internal Audit Team.

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 has looked to make changes to improve the team's adherence to the GIAS-UKPS and has implemented new/alternative ways of service delivery. The team regularly shares best practice with other local authorities and attends local network groups as part of its continuous improvement.
- 4.4.2 The Head of Governance, Audit & Procurement attends 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.

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4.4.3 The Internal Audit Team monitor their performance using internally set key performance indicators detailed in the table below. Results for 2025/26, shown below, demonstrates that team performance exceeded the targets set, except for the % of draft reports issued within 15 working days. This was due to training a new member of staff and delays arising from the audited service area answering additional questions raised at the review stage. Internal Audit will look to address any future delays by reviewing its escalation processes and is confident this target will be met in 2026/27.

KPI Definition	Proposed Target	2025/26 Results
% completion of the annual audit plan	90%	97%
% of draft audit reports issued within 15 working days from completion of audit fieldwork	90%	72%
% of auditees either satisfied or very satisfied with audit work undertaken	90%	100%
% of recommendations accepted at draft stage	95%	97%

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 questionnaire

4.5.2 Customer surveys are issued 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', 'good'. Responses were compared to 2024/25 results:

2024/25	2025/26
Pre-audit arrangements	
100%	100%
Audit Visit	
100%	100%
Communication	
100%	100%
Reporting	
100%	100%

Added Value	
100%	100%

Results show that 100% of customers continue to think that Internal Audit is a positive support and adds value to their service. Responses received for all categories included in the customer feedback form remain extremely high.

Improvements continue to be made through staff training and the ongoing review of audit processes and procedures.

4.6 CONCLUSIONS FOR 2025/26

- 4.6.1 Internal Audit has continued to perform well and continues to make a positive contribution to the governance arrangements within the Council. During 2025/26, completion of the audit plan increased from the previous year.
- 4.6.2 The statutory responsibilities of the Council's Chief Financial Officer (Section 151 Officer) in respect of 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.
- 4.6.3 The Internal Audit Team have also continued to provide adhoc advice and guidance on governance, procedures, controls and risk management.
- 4.6.4 However, there are changes occurring both within and outside the Council during 2026/27 and beyond which could affect the team's future activities including:
- a) The continued pressure on the Council's budget strategy and seen nationally across the sector
 - b) Reduced staffing levels across the Council and the potential impact through revised governance arrangements and reduced supervisory levels
 - c) Multiple changes to the statutory and legislative framework across a wide range of service areas within the local government sector.

5 THE AUDIT COMMITTEE WORK PLAN REVIEW

5.1 Internal Audit

- 5.1.1 The Internal Audit team has continued to provide the Committee with reports on work undertaken as outlined in the GIAS-UKPS and the Constitution, highlighting any areas requiring attention by Members.
- 5.1.1 The Internal Audit Plan for 2025/26 was approved by the Committee at the May 2025 meeting and the Internal Audit Charter for 2026/27 was approved by the Committee at the January 2026 meeting.

5.2 External Audit

- 5.2.1 The External Auditors, KPMG, have produced/presented their reports to the Committee as required by legislation, accounting standards and the external audit code of practice.

5.3 Governance

- 5.3.1 The Annual Governance Statement 2024/25 was approved at the May 2025 Audit Committee meeting. An update on the Annual Governance Statement action plan was presented to the committee in January 2026.
- 5.3.2 The July 2025 and January 2026 meeting reviewed the Council's Strategic Risk Register.
- 5.3.3 The 2024/25 Information Governance Annual Report was presented to the Committee in May 2025.

5.4 Treasury Management

- 5.4.1 The Committee received the 2024/25 outturn and in year updates for 2025/26. The Treasury Management Strategy 2025/26 was reviewed prior to approval by Cabinet. They also received Treasury Management training from the Council's Treasury Advisors (MUFG) in January 2025.

5.5 Statement of Accounts 2024/25

- 5.5.1 The Statement of Accounts was approved by the Committee at the January 2026 meeting. As in previous years a training session with key Finance staff who explained the statements and the changes that had occurred was completed the evening before the approval meeting.
- 5.5.2 The Committee will be aware that there has been pressure across the local government sector in terms of publication of final accounts within the required timescales and that the government introduced a longstop date to enable external auditors some flexibility in completing the necessary work. Within Telford & Wrekin, the Statement of Accounts was finalised and published in accordance with the original timescales and, once again, the External Auditors were happy to issue an unqualified opinion.

5.6 Anti-Fraud & Corruption

- 5.6.1 The 2024/25 Anti-Fraud & Corruption Annual Report was received in May 2025.

5.7 General

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

5.8 Conclusions for 2025/26 and the future 2026/27

- 5.8.1 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.
- 5.8.2 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 2026/27. Most notable are the impact of organisational changes, the impact of increasing demand across some services and the impact of statutory and legislative change across the sector.

6 Internal Audit Annual Plan for 2026/27

- 6.1 Internal audit provides independent assurance to senior management and the Audit Committee on how well the Council manages risk, governance and internal controls. It reviews controls on a planned basis, supports (but does not replace) management responsibility, and works in line with the Global Internal Audit Standards in the UK Public Sector (GIAS-UKPS) and the approved Internal Audit Charter.
- 6.2 The information below sets out a risk-based audit plan, focusing resources on the areas that pose the greatest risk to the Council's objectives.
- 6.3 Assessment of the effectiveness of risk management, governance and system of control.**
- 6.3.1 Internal audit reviews risk management and governance each year to support its assurance opinion to senior management and the Audit Committee. This work also contributes to the Council's Annual Governance Statement.
- 6.3.2 Effective management is crucial for setting objectives, managing risks, using resources properly, complying with laws and policies, protecting assets, and ensuring reliable information. The audit plan focuses on reviewing how well these arrangements and controls are working.
- 6.4 Summary guide to planning process.**
- 6.4.1 The Internal Audit planning process covers a number of different activities which feed into the production of the Internal Audit Annual Plan (IAAP).



GIAS-UKPS – relevant standards are incorporated in this process.

Corporate priorities – internal audit work supports the Council achieving its priorities.

Strategic risks – the Councils strategic risks are considered.

Service level risk – service area risks in service plans are considered.

Management meetings – the Chief Internal Auditor/Principal Auditor attends management meetings to identify potential areas to audit.

Audit intelligence – the Internal Audit Team uses their own knowledge through research, networking, etc. to inform planning.

External compliance – work undertaken by external compliance bodies such as CQC, OFSTED, etc. is factored into the process to avoid duplication.

6.5 Assessing the risk of auditable areas within the assurance framework

6.5.1 Audits included in the annual plan are scored, using a risk scoring model of likelihood and impact (1 being low and 5 being high) and prioritised using selection criteria:

		LIKELIHOOD				
		1	2	3	4	5
IMPACT	1	L	L	L	L	L
	2	L	L	L	M	M
	3	L	L	M	M	H
	4	L	M	M	H	H
	5	L	M	H	H	H

Prioritisation Criteria for Audit Selection

- High-risk (15–25): Mandatory inclusion unless justified otherwise
- Medium-risk (8–14): Included based on capacity or assurance gaps
- Low-risk (1–7): Monitored but not routinely audited

6.5.2 The risks associated with each audit will be identified by Internal Audit using audit intelligence and professional judgment. The reasoning behind each risk assessment will be fully documented as part of the planning process. This will be overseen by the Chief Internal Auditor.

6.6 GIAS-UKPS: Topical Requirements

6.6.1 The Institute of Internal Auditors Topical Requirements are a mandatory extension of the GIAS-UKPS and International Professional Practices Framework. There are currently 3 topical requirements:

- Cyber security - effective from 5/2/26
- Third-party - effective from 15/9/26
- Organisational Behaviour – effective from 15/12/26

Cyber security – this has been a standing audit area on the annual internal audit plan for some years, and this will continue.

Third-party – assesses risk associated with vendors, suppliers and other external partners. Risks relating to this are included in all relevant audits on the annual plan.

Organisational behaviour – looks at behaviour and culture that influences organisational risk. All audits on the annual plan include ethics controls, these will be reviewed to incorporate organisational behaviour risks.

6.7 Plan resources

6.7.1 The Internal Audit Team currently comprises 3.4 full-time equivalents bringing a broad mix of skills across finance, governance and internal audit. The team has a mix of professional qualifications including IIA, CMIIA, AAT, master's degree and ACCA.

6.7.2 The GIAS-UKPS details resource requirements for an internal audit team. These resources can be broken down into financial, human and technological requirements. See below for how the Internal Audit Team complies with these standards:

Resource type and associated GIAS-PSUK requirement	T&WC Internal Audit Team
<p>Financial</p> <p>The Internal Audit service should have access to the necessary resources to deliver the internal audit strategy and audit plan.</p>	<p>The Internal Audit budget is set by Finance in consultation with the Chief Internal Auditor. Any financial constraints that the Chief Internal Auditor believes would reduce the effectiveness of internal audit are reported to Monitoring Officer, S151 Officer and Chair of Audit Committee where appropriate.</p>
<p>Human</p> <p>The Internal Audit service needs to have an appropriate range of knowledge, skills, qualifications and experience to deliver the audit plan. Internal Auditors should also have support from management to perform their duties effectively.</p>	<p>The Chief Internal Auditor and Principal Auditor are Chartered Internal Auditors (CMIIA). The rest of the Internal Audit Team offer a mix of audit, governance and financial experience and qualifications.</p>
<p>Technological</p> <p>Internal Auditors should have access to the necessary resources, including information technology to support the delivery of audit work and pursue opportunities to improve efficiency and effectiveness.</p>	<p>All of the Internal Audit Team have their own Microsoft 365 account and use applications with this extensively. The team also look to adopt new technologies to enhance their work including the use of emerging AI technologies.</p>

6.8 Development and approval of the internal audit plan

- 6.8.1 Once all of the above activity is completed, the Chief Internal Auditor finalises the annual internal audit plan. The plan is then shared with the S151 Officer, Monitoring Officer and the Senior Management Team.
- 6.8.2 The Audit Committee has the ultimate responsibility for approving the final plan.
- 6.8.3 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.

7 Summary of main proposals

- 7.1 Members note the 2025/26 Internal Audit Annual Report.

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7.2 Members note the operations of the Audit Committee for 2025/26.

7.3 Members approve the 2026/27 Internal Audit Annual Plan.

8 Alternative Options

8.1 Members can reject the 2026/27 Internal Audit Annual Plan and request changes to be made. This is not recommended as the plan has been prepared to ensure compliance with the relevant legislation and guidance and is designed to give the Council, members and the management team assurance around the internal controls in place within the organisation.

9 Key Risks

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

10.0 Council Priorities

10.1 This report supports the Council's priority to be a community-focussed, innovative council providing efficient, effective and quality services.

11.0 Financial Implications

11.1 Whilst there are no direct financial implications arising from the recommendations within this report, there are a number of indirect financial considerations to note.

The report highlights continued pressure on the Council's budget strategy, alongside reductions in staffing levels and supervisory capacity, which may impact the effectiveness of financial controls and increase the risk of errors or non-compliance.

12.0 Legal and HR Implications

12.1 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. The Local Audit (Public Access to Documents) Act 2017 also 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.

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12.2 In the event that an audit reveals an issue which requires legal advice the Council's Legal Services team are available to provide such advice and support. There are no HR implications arising from this report.

13.0 Ward Implications

13.1 The work of the Audit team encompasses all the Council's activities across the Borough.

14.0 Health, Social and Economic Implications

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

15.0 Equality and Diversity Implications

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

16.0 Climate Change, Biodiversity and Environmental Implications

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

17.0 Background Papers

- 1 Annual Audit Plan 2025/26 and Audit Charter
- 2 Global Internal Audit Standards and CIPFA Application Note

18.0 Appendices

- A Internal Audit Annual Plan for 2026/27

19.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Director	06/05/2026	09/05/2026	ACL
Legal	07/05/2026	19/05/2026	SH
Finance	07/05/2026	07/05/2026	KP