

Shropshire Council
Legal and Democratic
Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 16 November 2022
My Ref:
Your Ref:

Committee:
Audit Committee

Date: Thursday, 24 November 2022
Time: 10.00 am
Venue: Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

You are requested to attend the above meeting. The Agenda is attached

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel [Here](#)

Tim Collard
Assistant Director – Legal and Governance

Members of Audit Committee

Simon Harris (Vice Chairman)	Roger Evans
Nigel Lumby	Julia Buckley
Brian Williams (Chairman)	

Your Committee Officer is:

Michelle Dulson Committee Officer

Tel: 01743 257719

Email: michelle.dulson@shropshire.gov.uk

AGENDA

1 Apologies for Absence / Notification of Substitutes

2 Disclosable Pecuniary Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3 Minutes of the previous meeting held on the 15 September 2022 (Pages 1 - 14)

The Minutes of the meeting held on the 15 September 2022 are attached for confirmation.
Contact Michelle Dulson (01743) 257719

4 Public Questions

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5pm on Friday 18 November 2022.

5 Member Questions

To receive any questions of which Members of the Council have given notice. The deadline for this meeting is 5pm on Friday 18 November 2022.

6 A. First line assurance: IT Services, improvements to the control environment following various Audit Reports 2022/23 (Pages 15 - 56)

The report of the Head of Automation and Technology is attached.
Contact: David Baker (01743) 254118

B. First line assurance: Audit Report Management Response – Information Security Management and IT Acceptable Usage Policy

The report of the Assistant Director Legal and Governance is attached.
Contact: Tim Collard (01743) 252756

7 First line assurance: Payroll control improvements 2022/23 (Pages 57 - 62)

The report of the Assistant Director, Workforce and Improvement is attached.

Contact: Sam Williams (01743) 252817

8 Second line assurance: Treasury Strategy Mid-Year Report 2021/22

The report of the Executive Director of Resources (Section 151 Officer) is to follow.

Contact: James Walton (01743) 258915

9 Governance Assurance: Annual Audit Committee Self-Assessment (Pages 63 - 90)

The report of the Executive Director of Resources (Section 151 Officer) is attached.

Contact: James Walton (01743) 258915

10 Third line assurance: Internal Audit Charter (Pages 91 - 110)

The report of the Interim Audit Service Manager is attached.

Contact: Katie Williams 07584 217067

11 Third line assurance: Internal Audit performance report and revised Annual Audit Plan 2022/23 (Pages 111 - 130)

The report of the Interim Audit Service Manager is attached.

Contact: Katie Williams 07584 217067

12 Third line assurance: External Audit, PSAA Appointments (Pages 131 - 134)

The report of the Executive Director of Resources (Section 151 Officer) is attached.

Contact: James Walton (01743) 258915

13 Third line assurance: External Audit, Draft Audit Findings Report 2021/22

The report of the Engagement Lead to follow.

Contact: Grant Patterson (0121) 232 5296

14 Date and Time of Next Meeting

The next meeting of the Audit Committee will be held on the 14 February 2023 at 10.00 am.

15 Exclusion of Press and Public

To RESOLVE that in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and

Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

16 Exempt minutes of the previous meeting held on the 15th September 2022
(Pages 135 - 136)

The Exempt Minutes of the meeting held on the 15 September 2022 are attached for confirmation.

Contact: Michelle Dulson 01743 257719

17 Third line assurance: Fraud, Special Investigation and RIPA Updates
(Exempted by Categories 2, 3 and 7) (Pages 137 - 140)

The exempt report of the Interim Audit Service Manager is attached.

Contact: Barry Hanson 07990 086409



Committee and Date

Audit Committee

24 November 2022

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 15 SEPTEMBER 2022 10.00AM – 12.22PM

Responsible Officer: Michelle Dulson

Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present

Councillor Brian Williams (Chairman)

Councillors Simon Harris (Vice Chairman), Roger Evans and Rosemary Dartnall and Chris Schofield (substitute for Councillor Nigel Lumby))

23 Apologies for Absence / Notification of Substitutes

An apology was received from Councillor Nigel Lumby. Councillor Chris Schofield substituted for him.

24 Disclosable Pecuniary Interests

Members were reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

25 Minutes of the previous meeting held on the 20 July 2022

Paragraph 5 – Third line assurance: (a) Internal Audit Performance Report and (b) Annual report 2021/22

It was confirmed that the action contained in the second paragraph in relation to receipt of a management report for five audits within IT/ Information Governance and one relating to Dog Wardens that had attracted unsatisfactory and limited assurance opinions had not been actioned for this meeting but first line assurance reports would be presented at the November meeting0

Paragraph 16 – Second line assurance: Approval of the Council's Statement of Accounts 2021/22

The Chairman commented that it was unacceptable that the Statement of Accounts for 2020/21 had not been signed off 18 months later. In response, the External Auditor confirmed that work on the 2021/22

accounts had been completed however there had been a delay in relation to receipt of guidance setting out how infrastructure assets should be accounted for. CIPFA were proposing to change the Code, but this was not expected until November or December and would necessitate some additional audit work being undertaken but it was hoped to finalise this in November or December.

Members expressed concern about the fact that the accounts were not before the Committee at this meeting but accepted the explanation of the External Auditor.

RESOLVED:

That the Minutes of the meeting of the Audit Committee held on the 20 July 2022 be approved as a true record and signed by the Chairman, subject to the above.

26 Public Questions

There were no questions from members of the public.

27 Member Questions

There were no questions from Members.

28 First line assurance: Providing Audit Committee with assurance on the internal controls and risk management of the Council's Cloud Services

The Committee received the report of the Assistant Director Finance and Technology – copy attached to the signed Minutes – which identified the current use of cloud-based services by the Council and considered its use of these systems (including wider networks and data centres) to house its data and network systems. It focused on the approach to assurance for internal controls and risk management for these services. The report also considered the current position in terms of consistency of approach across different types of use of the cloud and the desirability of increased controls and risk management and consistency how these were being applied.

The Assistant Director Finance and Technology introduced his report and drew the Committee's attention to the key points. He explained that although there were risks associated with systems hosted within the cloud, the Council and the Council's IT team did not differentiate in terms of the ways that internal controls and risk management were approached between cloud-based systems and on premises systems. Overall, there was considerable confidence that there were good internal controls and a good level of engagement risk management around the core network and core systems of the Council to the extent that they were hosted in the cloud or similar arrangements. There was however an ongoing increase in

the level of risk in the external environment, eg cyber-attacks, cyber-resilience and cyber-security so it was important to constantly review the arrangements around internal controls and risk management. The report sets out where they were and the Committee were invited to comment on whether or not that was felt to be sufficient or whether there were any areas where controls could be included or improved.

The Infrastructure Security and Innovation Manager took members through the report. He gave the background to the Council's use of the cloud, which was not new as the Council had been using cloud services for over ten years. Things had changed slightly recently due to the elevation of cyber risk which had meant putting some additional controls in, including setting up an IT Business Continuity Recovery Group and working with risk, audit and data protection around ensuring that controls were in place.

The Council currently had a 'cloud where appropriate' model which aligned to the Government's approach of how to implement cloud systems. Cloud services were suitable for some things but not for others and also, the authority had to be conscious of value and often cloud services did not provide best value and so the Council currently had a mix of cloud based and on-premises based approaches. Some of the smaller system providers for particular service areas had not previously been in a position to provide cloud-based services but as these reached their maturity level, these options were now available to these business areas and would be considered during the procurement process.

The Infrastructure Security and Innovation Manager highlighted some of the controls and compliance areas that were in place. He explained that ICT had specialist teams and also worked very closely with data protection, with information governance, with risk, audit and procurement so when a new system was proposed all these business areas work together to ensure that the NCSC guidance was followed, that the supplier was a fit and was capable of delivering the service and that ICT were able to manage that supplier arrangement. Once the system was in place, these business areas continued to work with ICT to ensure they continue to manage the relationship.

The Infrastructure Security and Innovation Manager informed the Committee that the biggest cloud system that the Council had was the Microsoft Office Suite. As part of the supplier development cycle it was important to have those management controls in place to handle changes in software and products which were changed, often at short notice, to meet public demand. He highlighted the biggest risk area that they were working to control was the level and breadth and the different maturity levels of how business areas managed their supplier arrangement with the company working with the risk team around enhancing how our system administrators and information asset owners understand the risks to their systems and how they manage them.

In response to a query, the Infrastructure Security and Innovation Manager explained that not all local authorities operated their cloud systems in the same way as it depended on the suppliers however Microsoft Office Suite did operate in the same way across local authorities as the supplier defined how it operated. Shropshire's acuity levels were probably possibly higher than some because we had been doing it for quite a long time. He confirmed that controls around the secure cloud for Office 365 met PSN accreditations and so they had to work with Microsoft around the controls to secure the cloud and additional controls were added however those controls were no longer needed as Microsoft had introduced a lot of the things that the Council needed to assure customers that what they provided was secure. He confirmed that Shropshire was in line with best practice.

In response to a further query, it was confirmed that there had been a couple of breaches that year. Part of the ICT Business Continuity Recovery Group was to help address and make sure any lessons learnt were followed up and he informed the Committee that the risk profile continued to reduce. However, no system was completely secure and there was always a risk for cloud and on-premises systems from cyber-attacks.

In response to a query, the Infrastructure Security and Innovation Manager explained that the global large vendors recognised the need for UK data centres and provided their services using these UK centres. Smaller vendors tended to provide their systems using UK based anyway. He confirmed that the Council currently had no data services based outside of the UK. Part of the procurement process was to ask where they were based and if only available outside of the UK, a business decision would be taken around the risk of that data being held maybe in a less secure location. It was confirmed that Nuneaton was still the Council's secondary data centre and backups were also done into the cloud as well. Currently there was a business case going through for a more cyber-focussed backup solution.

The Assistant Director Finance and Technology explained that they were looking to bring Nuneaton to be the same level of capability as Shirehall and that the overall level of cover was being improved to ensure 24/7, 365 cover including on-call teams.

A further question was raised about whether anything proactive was being done in relation to the effects of the war in Ukraine and linkages between Russia and China and the increased likelihood of cyber-attacks. In response, the Infrastructure Security and Innovation Manager reported that NSCE had issued guidance in January ahead of the Russian invasion, that elevated activity would be seen so the Council created another group in response to that to work through some additional security measures. He informed Members that the levels of attack from China had increased

slightly since January but not from Russia. It was confirmed that the Council's firewalls block attacks or attempts to connect to external firewalls from Russian IP addresses approximately twice a second and from Chinese IP addresses approximately four times a second which equated to in excess of half a million per day.

The Infrastructure Security and Innovation Manager informed Members that the Council had a team of four staff specialising in IT security, however the levels were constantly kept under review.

The Chairman was alarmed at the level of risk involved and the scale of attacks but was however reassured by the level of defence of IT systems and the level of security in place.

RESOLVED:

Members have considered and are satisfied with the levels of assurance placed before it in terms of internal controls and risk management of the Council's cloud services.

29 Second line assurance: Risk Annual Report 2021/22 incorporating Strategic Risks Update

The Committee received the report of the Risk Management Officer – copy attached to the signed minutes – which provided an overview of the activity of the Risk, Insurance & Resilience Team during 2021/2022 and a synopsis of the current risk exposure of the authority in relation to Strategic, Operational and Project risks.

The Risk Management Officer introduced and amplified her report. She reported that the Audit review of risk management this year had identified the assurance level as 'Reasonable' with actions required of service managers in relation to operational risk management.

The Risk Management Officer drew attention to the June 2022 review when there were 14 strategic risks on the Strategic Risk Register, set out in Appendix B, 10 of which were high, three medium, and one low.

Turning to operational risks, these were now embedded into a SharePoint site and as such could be updated in real time. There were currently 126 operational risk registers in place (compared to 128 last year) containing 1,385 risks in total (1299 last year), as set out in Appendix C. The Risk Management Officer drew attention to the 954 project risks, set out in paragraph 8.3 and Appendix D of the report.

The Risk Management Officer highlighted the work undertaken in relation to Business Continuity Management, set out in Paragraph 9 of the report. She reported that as part of the Business Continuity arrangements, a

cyber incident preparedness business impact analysis was being developed and would result in an Action Plan to address any areas of concern. It was hoped to hold the postponed inaugural Shropshire Resilience Conference in May 2023 to coincide with the national business continuity awareness week.

In response to a query about the continued high level of risk due to Covid, the Risk Management Officer explained that it was hoped to see this risk reduce by November and the Council have moved to the recovery phase and were getting back to business as usual and work that was delayed.

In response to a query the Risk Management Officer explained that the strategic risks were the high level risk exposure and there would be elements of all those strategic risks within some of the project risks and operational risks and from the November review they would be linking through the operational risks through to the strategic risks so it would be much clearer how those strategic risks were impacting operationally, but also at an operational level, what was being done to mitigate the strategic risk in that area as well.

The Risk Management Officer went on to explain that as part of the operational risk review, which was a month before the strategic risk review, any themes that were linked through to the strategic risks which were of a concern, would feed through to that, along with any emerging theme from the operational risk review that it was felt needed to be considered as a strategic risk in its own right would be raised with the Executive Director team for them to make that decision. What they would also do, from some of the major projects would not just have a project risk register, they would have a strategic risk register as well which would sit over the top of that Project. They also looked at the strategic high level risks to key programmes of work as well as part of that whole risk management process.

In response to a comment, it was agreed to include the direction of travel in Appendix C of the next report to Audit Committee so that Members could see how the operational risk exposure had altered from one period to the next.

RESOLVED:

To accept the position as set out in the report.

30 **Second line assurance: Annual Treasury Report 2021/22**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) – copy attached to the signed Minutes – which showed the borrowing and investment strategy for 2021/22, the outturn for the financial year and the investment performance of the Internal

Treasury Team, confirming that activities align with the approved Treasury Management Strategy.

The Executive Director of Resources (Section 151 Officer) drew attention to paragraph 4.3 of the report which confirmed compliance with the relevant Codes and Policies to enable the Council to manage the risk associated with Treasury Management activities and the potential for financial loss.

Members' attention was then drawn to the minimum reporting requirements, set out in paragraph 7.3 of the report, and it was explained that the Executive Directors and Cabinet also received quarterly treasury management update reports. The reasons for the report coming to Audit Committee were set out in paragraph 7.4 of the report. The Executive Director of Resources (Section 151 Officer) explained that the detail was contained in the Debt Maturity Profile, Prudential Indicators and the Council's Borrowing and Investment Strategy and Outturn position for 2021/22, set out in Appendices A, B and C respectively.

The Executive Director of Resources (Section 151 Officer) reported that the Internal Treasury Team had outperformed their investment benchmark which had been the case for many years. He confirmed that the Council's Treasury activities during the year had been within the approved prudential and treasury indicators set and have complied with the Treasury Strategy.

The Chairman congratulated the team for their good work and for never failing to outperform the benchmark. In response to a query in relation to the Public Works Loan Board rates, the Executive Director of Resources (Section 151 Officer) reported that these were regularly monitored and were expected to increase in the long term. They were not however at the levels seen in the 1990s when borrowing rates were very high.

RESOLVED:

To accept the position as set out in the report.

31 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2022/23

The Committee received the report of the Head of Audit – copy attached to the signed Minutes – which summarised Internal Audit's work to date in 2022/23. The Head of Audit explained that delivery had been impacted due to resourcing challenges which were currently being recruited to and supported by contractors. Lower assurances from reviews were highlighted, providing members with an opportunity to challenge further.

The Head of Audit drew attention to the summary of planned audits, set out at Paragraph 8.2 of the report, along with the planned verses actual

Audit days across all Directorates, at paragraph 8.3. The table set out in paragraph 8.4, set out the assurance ratings of all 12 completed audits, broken down by service area. The Head of Audit reported that there was one area that had been assessed as unsatisfactory and that was the Payroll 2021/22 audit and Members therefore requested a management report for the November meeting. The table at 8.5 showed the spread of audit assurances whilst table 8.6 showed the recommendations.

The Head of Audit highlighted the areas where Audit had added value with external clients and unplanned, project or advisory work, set out at paragraph 8.14 of the report. In conclusion, the Head of Audit reported that it was too early to draw any sound conclusions as to the overall assurance framework.

In relation to the unsatisfactory assurance level for Payroll, the Head of Audit explained that improvements were not just in the power of payroll staff however she had no reason to believe that other stakeholders would not engage. The Committee expressed their concern if any stakeholders were unable to comply.

In response to a query as to how the unsatisfactory assurance level had come about, the Executive Director of Resources (Section 151 Officer) explained that fundamentally there had been a shift from a dedicated payroll system to a module in the ERP. When they brought in the new ERP system, it was a case of getting that implemented and in place within the right timescales and ensuring that the fundamental principles of staff were paid and staff were paid the right amount. So that part was achieved however, as it was not a system dedicated to payroll, whenever there were any changes whatsoever to any terms of conditions, or requirements, or national changes in legislation etc, whereas other dedicated systems the supplier would automatically update them, with the system that we have we have to wait for those to be input by our supplier who are supplying across a wider ERP system.

He went on to say that there were also specific arrangements within Shropshire that then had to be built into that system so therefore there were processes that enabled those to happen which were not as slick or simple as we would like them to be and require constant testing and updating to make sure they are working. On top of that, there was a complete change in relation to the way in which the system was managed by Managers. For example, the travel claim system was something that was input into the process, which was not working as fully as required from the time it was implemented and therefore it required some movement in relation to what Members did as well as some movement in relation to what the system could do. He informed the Committee that another module was to be brought into the system to enable weekly travel claims to be made, to help people travelling long distances and having to wait a month before they claim it back and which would have to be tested.

So it is not something that has deteriorated over a period of time, but a new system that was still being worked through in terms of its implementation and on that basis there were expected to be a number of recommendations and improvements and limited and fundamental recommendations on the back of that.

The Head of Audit agreed for Managers to send Members a virtual update along with Managers' assurance after the December deadline in between Committee meetings. Members could then make a decision whether they wished to call a meeting or invite someone to the February meeting.

RESOLVED:

1. To note the performance to date against the 2022/23 Audit Plan.
2. To request a management report for the November meeting in relation to the unsatisfactory assurance level given to Payroll 2021/22 and any stakeholders unable to comply be requested to attend the meeting to explain why.

32 Third line assurance: External Audit: Shropshire County Pension Fund Annual Audit findings (Information) 2021/22

The Committee received the report of the External Auditor – copy attached to the signed Minutes – which set out the Audit Findings for Shropshire County Pension Fund for the year ending 31 March 2022.

The External Auditor informed the Committee that the Pension Fund Audit was substantially complete and would be presented to Pensions Committee the following day. The report came to the Audit Committee as those charged with governance in respect of the Council's Financial Statements within which the Pension Fund accounts sit.

In terms of timelines, the External Auditor explained that delivering audits continued to be a challenge for the sector as a whole but they were aiming to get most audits finished by the end of November. Work on the Pension Fund had however been prioritised and they were aiming for the end of September to finish their work on the Pension Fund. He confirmed that the work was substantially complete subject to finalising some work around IT, journal testing and review of final accounts and financial statements. The External Auditor explained that under the current legislative framework, he could not issue an opinion on the Pension Fund financial statements, nor complete his consistency opinion on the Pension Fund accounts until work had been completed on the Council's financial statements. Signing of the accounts would be delayed until hopefully November depending on the infrastructure matter.

The External Auditor drew attention to an unadjusted misstatement of just over £19m which was below the level of materiality (£23m) but above

performance materiality of £17m, and as stated in the report, whilst not a material issue, it was close to the materiality level and given the current regulatory environment within which all Auditors were operating, it did kick in additional risk management procedures. Although he was comfortable with how assets had been dealt with and that the asset figure was fairly stated, sample testing was required which could have led to a misstatement that was missed therefore there were certain procedures that he had to go through (as set out in his report) and which would be reported to the Pensions Committee the following day. The Partner Panel wished him to discuss with management potentially amending the financial statements for that figure as it was so close to materiality.

The Executive Director of Resources (Section 151 Officer) went into more detail around the reason for the misstatement and why it was being proposed by Officers not to adjust it.

RESOLVED:

That the contents of the report be noted.

33 Third line of assurance: External Audit: Audit Plan 2021/22

The Committee received the report of the External Auditor - copy attached to the signed minutes – which provided an overview of the planned scope and timing of the statutory audit of Shropshire Council for those charged with governance.

The External Auditor drew attention to the key points set out in the report. She explained that External Audit were responsible for expressing an opinion on the Council's financial statements and as the Audit Plan was a constantly moving document, she confirmed that the risk assessment around payroll would be revisited and would be reported back as it had not been flagged as a risk.

The External Auditor explained that they had to consider whether the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources and whether there were any significant weaknesses. Planning in this area was ongoing and further details would be provided to the Committee as part of their progress update.

The External Auditor drew attention to the significant risks identified (as set out on pages 6-8 of the report) for which External Audit would undertake a significant level of work, and which included the risk that revenue and expenditure may be misstated, management over-ride of Controls, valuation of land and buildings and annual Pension Fund valuation.

They also had to build in work around accounting estimates and related disclosures (set out on pages 10 to 11) including how the Council deals with its accounting estimates and identifies its significant accounting estimates in particular.

The External Auditor discussed materiality and logistics (set out on pages 14 and 15 of the report) and she confirmed that any changes would be reported back to the Committee. She then drew attention to the Audit fees set out on page 16 of the report and highlighted other pieces of work that they complete for the Council eg certification claims in relation to housing capital receipts, teachers pensions and housing benefit claims.

In response to a query, it was confirmed that with the exception of infrastructure, they were not aware at present of any outstanding information. In response to a query about the number of objections relevant to the Council, it was confirmed that there were two, one in relation to highways and one in relation to planning. The External Auditor confirmed that these had been progressed and it was hoped to bring them to a conclusion shortly. It was confirmed that this would cause additional fees.

In response to a query, the Executive Director of Resources (Section 151 Officer) explained that the increase in the number of children in care was a key financial risk and had been reported through the quarterly monitoring reports for last year and this year and was discussed the previous day at Performance Management Scrutiny Committee in relation to the Performance report and the Financial Monitoring Report. He confirmed that this was an area where they were seeing growth, partly due to lockdown when normal procedures weren't able to operate so there was an element of catch up. For assurance, the cost of those associated changes in performance were flagged, so as more children go into care, and more children were identified as complex, as the complexity of cases increases, so too does the level of cost increase, which was being tracked. They were currently working on a three-year trajectory of what that might look like so they had greater visibility on the impact of that going forward because clearly it was unsustainable growth at the moment and they needed to find ways of understanding that before they could start to tackle it on a financial basis. The overspend for the Council for 2022/23 was around £9.4m and a significant percentage of that overspend was due to Children's Social Care so they were aware of it and were attempting to manage it and by the end of the year they would be hoping to bring that overspend down without impacting on the necessary controls that need to be in place within Children's Social Care to ensure that children are protected appropriately and dealt with as they should be.

RESOLVED:

That the contents of the report be noted.

34 Third line of assurance: External Audit: Informing the Audit Risk Assessment for 2021/22

The Committee received the report of the External Auditor - copy attached to the signed minutes - which updated the Committee on some important areas of the auditor risk assessment where External Audit were required to make inquiries of the Audit Committee under auditing standards and which contributed towards the effective two-way communication between Shropshire Council's external auditors and the Audit Committee, as those charged with governance.

A query was raised in relation to the number of firms of Solicitors utilised by Shropshire Council, as set out on page 7 of the report, and whether this was considered to be cost effective. In response, the Executive Director of Resources (Section 151 Officer) explained that the Council had a relatively small internal legal team and so to ensure appropriate legal advice was taken for the Council's ambitious and complex programme of works, different firms were employed for their specialisms in particular areas. It was felt that this was cost effective and that the structure of the internal legal team was appropriate.

RESOLVED:

That the contents of the report be noted.

35 Date and time of next meeting

Members were advised that next meetings of the Audit Committee would be held on the 27 October 2022 (Provisional Date) and 24 November 2022 at 10.00 am.

NB. The provisional meeting scheduled for 27 October 2022 was subsequently cancelled.

It was with great sadness that the Chairman informed the meeting that the Head of Audit was retiring and that this would be her last Audit Committee meeting. He explained that the Head of Audit had been appointed thirteen years ago and that he had been her Chairman for eight of those years. He went on to say that it had been a partnership and a relationship which had been very fruitful and he could not speak too highly about how well as chairman during those eight years that he had been supported by her and how easy their working relationship had been. She had been an absolutely splendid servant of this Council in the thirteen years she had served it and as a Council and in particular an Audit Committee she was owed a considerable debt of thanks for the dedicated way in she has managed the Council's Audit services over those thirteen years. The Chairman therefore proposed, and the Committee endorsed, the following resolution:

RESOLVED:

To thank Ceri Pilawski for her services to the Council as Head of Audit over the last thirteen years and to wish her a long and happy retirement.

36 Exclusion of Press and Public

RESOLVED:

That in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 2, 3 and 7 of the Council’s Access to Information Rules, the public and press be excluded during consideration of the following items.

37 Exempt Minutes

RESOLVED:

That the Exempt Minutes of the meeting of the Audit Committee held on the 20 July 2022 be approved as a true record and signed by the Chairman.

38 Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 2, 3 and 7)

The Committee received the exempt report of the Principal Auditor which provided a brief update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment, together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.

RESOLVED:

That the contents of the report be noted.

Signed (Chairman)

Date:

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<u>Committee and Date</u>

<u>Item</u>
<u>Public</u>

IT SERVICES, IMPROVEMENTS TO THE CONTROL ENVIRONMENT 2022/23

Responsible Officer

e-mail: David.baker@shropshire.gov.uk Tel: 01743 254118

1. Synopsis

This report provides an update on the actions taken or planned to address the recommendations arising from the following audit reports:

- Legacy Infrastructure and Systems
- IT Business Administration Follow-up
- Microsoft Azure and M365 Management Arrangements
- Telecommunications
- Third Party Access Controls

This report outlines the Council's current position and response to the Audits of: -

- *The management of legacy systems within the Authority. Legacy systems are those systems not in full support by the supplier or have no direct upgrade path available.*
- *The management of third-party contractor access. Third-party contractors are those external software or system suppliers that provide ongoing support and maintenance to the internal network-based systems of the council.*
- *The management of the ICT business administration. ICT Management have responsibility for the running of the internal ICT service including normal office administration of technical equipment, invoices etc.*
- *The management of Microsoft Azure and M365 services. The current arrangements the ICT department has in place to*

manage the Microsoft based Azure and M365 services it utilises, including plans to strengthen arrangements for this area.

- *The management of telecommunications contracts within the Authority. The council has two areas covered by telecommunications contracts, mobile phones, and unified Communications.*

2. Executive Summary

- 2.1. This report outlines the Councils current position and response to several audit areas which themselves form part of an extensive programme of audit assurance undertaken each year around the Councils provision of ICT services and systems.
- 2.2. A renewed focus has been placed on contract and procurement management following the recent appointment of the Assistant Director and the Head of Service posts supervising this area.
- 2.3. The Council has a limited number of Legacy systems none of which are key corporate systems. Current Information Governance and process controls help to manage the risk posed by legacy systems.
- 2.4. The current arrangements to manage third-party contractor access have been in place for many years and have proved highly successful in safeguarding internal systems from unauthorised access to applications and data.
- 2.5. The past two and half years have seen an unprecedented fluctuation in the availability of ICT equipment which has required differing approaches to ensure that supplies are available to the Council as required. The weaknesses identified have either been addressed or are in the process of being addressed.
- 2.6. Shropshire Council has subscribed to Microsoft 365 services since 2015, in that time the functionality available to and services utilised by the Council has increased substantially. The Microsoft contract is the largest contract held by ICT, correct resourcing and investment in this area will likely yield benefits and cost savings in the wider Council.
- 2.7. A strong base of control arrangements is in place within the department however there is currently no clear direction on the scale, pace, and cost of future adoption. The new Digital Strategy 2022-2025 addresses the direction of travel and is aligned tightly to the Shropshire Plan. The scale, pace and cost will be dependent upon organisational priorities.
- 2.8. The Councils telephony contracts underpin critical Council business functions and stability in the delivery of these services is crucial to their successful operation. Regular monitoring of these contracts takes place via quarterly supplier review meetings and monthly internal contact review meetings.

3. Recommendations

- 3.1. Members of the committee are asked to consider the contents of the report and the progress made to address the audit recommendations.
- 3.2. That Members of the committee consider further measures that may be appropriate, or areas for further measures that they may wish officers to investigate.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. Legacy systems run at an increased risk of cyber-attack, service disruption and data loss due to the systems not continuing to receive security patches or are operating using outdated vulnerable components.
- 4.2. Improperly controlled external access to Council systems poses a significant risk to system and data security.
- 4.3. Improperly managed contracts pose a financial and service delivery risk to the Authority.
- 4.4. Improper control of administration rights to the Councils Microsoft estate could lead to critical loss of services and/or data.
- 4.5. Failure to control changes to the Councils Microsoft estate could lead to critical loss of services and/or data.
- 4.6. Telephony contracts (in particular fixed line) are evolving due to changing technology. PSTN connections will be removed from national use by 2025.
- 4.7. Correct investment and management of the Councils Microsoft estate will present opportunities for the Council to realise goals detailed in the Shropshire Plan.

- 4.8. A new Equipment Replacement Programme will allow for staff to receive refreshed and more modern equipment.

5. Financial Implications

- 5.1. Capital investment identified to support equipment replacement business case.
- 5.2. Potential for spend to be reprofiled, allowing more equipment replacement to fall in year and all aged equipment to be replaced.
- 5.3. Consideration of centralising of IT Equipment budgets from service areas to part fund the ongoing replacement scheme.
- 5.4. Failure to effectively manage services and resources based in Azure could lead to excessive and unplanned revenue costs.
- 5.5. Safe, planned expansion of use in Azure and M365 has the potential to reduce required capital investment in future years, in particular relating to networking and infrastructure services.
- 5.6. Savings identified in mid-term financial strategy relating to telecommunications were delivered.
- 5.7. Potential future investment required to support the mandatory migration away from PSTN services by 2025.

6. Climate Change Appraisal

- 6.1. Environmental impact and power utilisation of replacement equipment will be considered as part of the equipment tender.
- 6.2. Expanded use on M365 services in the future has the potential to reduce the Councils carbon footprint, for example energy costs relating to data centre services, reduction in travel and paperless services.

7. Background

- 7.1. Management of legacy systems within the Authority.
 - A. Shropshire Council utilises many systems to provide services internally and externally to our citizens and partners.
 - B. The majority of systems are in full support by the relevant vendors using up to date versions.
 - C. For business area operational reasons some systems are no longer in full support by their vendors or have a limited / no direct upgrade path. These systems are classed as 'Legacy' systems and require additional controls and mitigations to be in place.

- D. All main Council supporting systems managed by ICT services are not considered to be legacy systems and are in full support with the software or system vendor.
- E. Legacy systems are recognised as posing an increased threat to data and system security and so are subject to greater scrutiny under our commitments to the Public Services Network (PSN) certification.
- F. Legacy systems are recognised as posing an increased threat to data integrity and therefore potential breaches of Data Protection legislation (Data Protection Act and GDPR).
- G. The current Information Governance process is supporting the activity to address the recommended actions identified in the audit report.

7.2. Management of third-party contractor access.

- A. Shropshire Council has many systems that are directly supported or maintained by external software suppliers.
- B. The breadth and complexity of systems in use in the Authority makes the exclusive internal ICT based support and maintenance of the systems an unrealistic goal.
- C. Software providers are expected and assumed to be best placed to support their product set and therefore should support best value and reliability for in use Council systems.
- D. Shropshire ICT manage and maintain the technical infrastructure supporting third party contractor access.
- E. Larger software suppliers such as Civica or Capita often have different teams supporting different products and indeed may have different technical requirements to be able to deliver their specific support.
- F. The responsibility of authorising and managing the supplier access is the responsibility of the specific system administrators.
- G. Third-party contractor access has been a feature of systems support for many decades and has evolved over time to adopt modern technologies and practice.
- H. The length of time this process has been in place has meant changes in responsibility and management within the Council has in some cases reduced business area focus on reviewing and refreshing contractor access rights.

7.3. Management of ICT Business Administration.

- A. The Council has a dedicated team in ICT responsible for business administration activities, with major procurement activities being co-ordinated by a member of the ICT management team.
- B. Workload and demand on this team over the past 2 years has been exceptionally high, with issues being compounded by difficulty in recruitment of appropriate staff.
- C. Process documentation is ongoing as processes will evolve, however all major processes in this team are now documented and stored centrally for staff to access.

- D. A full list of department contracts has been developed and shared with Procurement, this is now reviewed on a monthly basis with ICT and Procurement staff.
 - E. Since the expiration of the previous framework contract for equipment the department has utilised multiple quotes for purchases under £50K.
 - F. A competitive tender using CCS frameworks is being developed with the intention to be published this year, this will include the supply of laptops, PC's, tablets and general peripherals.
 - G. Since the beginning of the pandemic equipment markets have been in a near constant state of flux, making it extremely difficult to maintain a standard equipment offering without incurring significant delays in equipment delivery.
 - H. Recent world events and instability in the global financial market is contributing to ongoing disruption in the supply of ICT equipment.
 - I. With support from Finance a full business case for capital investment to fund an ongoing end user equipment replacement programme is being developed prior to the issuing of the equipment tender.
 - J. Engagement with major suppliers (Lenovo and Microsoft) is ongoing to determine the most suitable devices to provide to staff in the future.
 - K. Initial equipment purchases have been made in support of the equipment replacement programme to allow for new equipment to begin being issued to staff.
 - L. Completion of the business case and procurement are an area of particular focus for the Assistant Director of Finance and Technology and Head of Automation and Technology.
- 7.4. Management of Microsoft Azure and M365 services
- A. The Councils adoption of M365 is at a level where its stable use and management is critical to the stable day to day operation of the authority.
 - B. Management of the M365 and Azure estate is coordinated by several managers in the ICT department.

- C. Adoption and use of this area has been expanding over the last several years and this is expected to continue.
- D. All administrative access to M365 had recently been reviewed and any anomalies investigated and remediated.
- E. Strict controls of administrative access to the M365 estate have been introduced and are managed on the basis of “minimum permission required”.
- F. A project managing the adoption of security best practise has been established and work prioritised based on risk/level of exposure.
- G. Due to the wide range of services available via M365 and Azure maintaining a full awareness of all services available for use is not possible given the departments other workload and available resources.
- H. This is mitigated in part by monthly contract management meetings which are held with Microsoft where use and adoption of Microsoft services are discussed, along with technology updates given to ICT staff.
- I. An automated process to notify relevant ICT staff of changes and developments to adopted Microsoft technologies has been implemented and has been successful in ensuring Microsoft communications are monitored for relevant communications.
- J. The current management of the M365 and Azure estate is currently dispersed to staff in several different ICT teams. The planned restructure will consider if this should be maintained, or parts should be centralised to a single team.
- K. Automation capabilities in M365 and Azure have the potential to greatly support the Council in achieving the goals listed in the Shropshire Plan.
- L. There are numerous examples of use of M365 and/or Azure services throughout the Council which have been implemented with the support of ICT, which are supporting service areas to cope with increased workload and reduced resources.
- M. Future adoption of M365 and Azure services will require the expansion of skillsets for this area. Training in critical areas will be needed to avoid key staff becoming single points of failure.

7.5. The management of telecommunications contracts.

- A. The Council's primary contracts for mobile telephony and fixed line communication were each left in a position where they were "rolling" beyond the specified contract end dates.
- B. This was in part caused by fluctuations in management responsibilities within the ICT department, workload prioritisation and disruption caused by the onset of the Pandemic.
- C. A full competitive tender process was completed to replace the mobile telephony contract, this was awarded to EE for a period of three years. This was signed in Autumn 2021 and fully implemented over the following six months.
- D. The previous incumbent supplier (Gamma Telecoms) contract has been fully closed decommissioned.
- E. Regular contract monitoring is now in place with EE (quarterly).
- F. Initial market engagement relating to re-procurement of this contract is programmed into ICT's work schedule to commence in Autumn 2023, with the intention to tender and fully implement a replacement contract to coincide with the expiration of the current contract.
- G. The Councils fixed line telephony contract has been reprocured for a period of two years, with the award being placed with the incumbent supplier (Maintel).
- H. Due to changes in technology (shut down of PSTN) it was not possible to migrate our current calls and lines services to a different supplier as new PSTN connections already cannot be installed due to the technologies planned decommissioning.
- I. Contract monitoring arrangements are in place with Maintel and a formal project is currently being scoped to allow all services dependent on this contract to be migrated to new solutions prior to its expiry.

8. Additional Information

- 8.1. Under PSN certification unsupported systems must not be used without proper suitable mitigations that help protect from cyber-attack or general system failure. Where legacy systems exist ICT services work with business areas to attempt to mitigate the potential risks posed by such systems or to support projects to close down or upgrade legacy systems.

- 8.2. Computer system and services owners are expected to maintain their systems to PSN certification standards and where known any failure to do so is reported via the Information Governance process to the relevant senior management level.
- 8.3. The current posture of the authority and process is reducing the number of active legacy systems within the Authority.
- 8.4. The central control to managing third party access is that access is turned off by default until a proper authorisation from a business owner or system administrator is received by ICT.
- 8.5. When access is granted a time limit period is required as no open-ended access is allowed. Setting a time limit ensures that an external access is not left open after the required actions have been carried out.
- 8.6. The need for external contractors to be granted access also ensures systems administrators are fully aware of the actions of their contractors. Managing access ensures that business impacting changes cannot be carried out without proper planning and this does prevent unexpected disruption to services.
- 8.7. The recommendations in the audit report highlights that an element of renewal and review is required with the current process to ensure it continues to successfully manage third party contractor access.
- 8.8. Monthly meetings are now held with Procurement and ICT Services to better enable effective management of technology procurement activities
- 8.9. Development of an online portal where staff can order equipment is underway, once complete this will hopefully reduce workload and manual processes which ICT staff currently must follow
- 8.10. The decision on what equipment to offer to staff in future will be based on a total cost of ownership model rather than initial purchase price, which has been the driving factor in the past
- 8.11. Electricity usage and carbon emissions will also be a major part of the equipment tender, supporting the Council in its move to Net Zero and supporting with reduced electrical costs
- 8.12. Ongoing focus on procurement and contract management activities will allow for timely procurement activities to be undertaken
- 8.13. Revised Executive Management structure will allow for potential slippage or issues to be effectively managed and prioritised

- 8.14. Investigation is being carried out on training additional staff in ICT to support the procurement function, which will remove bottlenecks in capacity which currently exist
- 8.15. Monthly meetings are held with Microsoft and ICT Services to better enable effective management of Microsoft activities and services
- 8.16. Several engagements have been held with Microsoft reviewing the security and control aspects of their services which are available to the Council
- 8.17. Several engagements are being held/planned with Microsoft to explore further adoption of their services and identify their potential to realise efficiencies and savings in other areas of the Council
- 8.18. Safe management of the Microsoft estate will require maintaining and developing new skillsets to ensure the Council remains current in its control of this area
- 8.19. Given the frequent number of updates Microsoft releases there will be a requirement for the controls in place to be reviewed regularly to ensure they are meeting the Councils requirements
- 8.20. The replacement mobile phone contract has allowed staff to make use of new technologies (such as 5G) which started to become available in Shropshire during the tender process
- 8.21. Fixed line telephony is dependent on PSTN (Public Services Telephony Network) connections. This technology is being decommissioned nation-wide with a formal shutdown date announced for 2025
- 8.22. All services reliant on PSTN must be migrated to new solutions before 2025, and in parts of Shropshire it is already not possible to install new PSTN connections
- 8.23. Ongoing focus on procurement and contract management activities will allow for timely procurement activities to be undertaken
- 8.24. Revised Executive Management structure will allow for potential slippage or issues to be effectively managed and prioritised, and there is a renewed focus on ensuring the appropriate controls are in place
- 8.25. Investigation is being carried out on training additional staff in ICT to support the procurement function, which will remove bottlenecks in capacity which currently exist.

9. Conclusions

- 9.1. For its size and breadth of service delivery the Council has a limited number of Legacy systems which continues to diminish over time.
- 9.2. The councils overarching security measures help to protect the legacy systems from malicious attack.
- 9.3. Third-party contractor access poses a risk to system and data integrity, but the risk is effectively managed with the current process.
- 9.4. The technical landscape for remote access is constantly evolving and the technical capabilities supporting the process should continue to be reviewed to ensure they are still suitable for the task.
- 9.5. Effective management and completion of procurement activities is vital to ensuring stable delivery of service
- 9.6. The supply of ICT equipment has been heavily impacted by global and nationally events which will need to be monitored to ensure that this does not present difficulties to the Council in the future
- 9.7. Effective controls are in place for the ICT Business Support function
- 9.8. Appropriate plans are in place to allow for the completion of the outstanding equipment business case and framework procurement contract
- 9.9. The technology landscape relating to communications is evolving rapidly and appropriate focus will be needed on this area to ensure that this does not present difficulties to the Council in the future
- 9.10. Effective controls are in place for the management of our telecommunication contracts
- 9.11. The revised management arrangements for ICT will allow for better control of these areas in the future

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

Local Member

Appendices

[Please list the titles of Appendices]

Appendix A

KEY

BLUE	COMPLETE / IMPLEMENTED
GREEN	PROGRESSING ON TARGET / RISK EFFECTIVELY MANAGED
AMBER	DELAYED / POTENTIAL FOR RISK ESCALATION
RED	SIGNIFICANT DELAY / RISK NOT EFFECTIVELY MANAGED

LEAD OFFICER

DB	DAVID BAKER
IC	IAN CHURMS
DP	DEAN PRESSLEY
CH	CLAIRE HALL

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Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
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The legacy it hardware and software security policy lists thirteen mitigations. As some of these are not related solely to legacy systems or are no longer applicable the policy should be reviewed and updated.	Open	Requires attention	The policy will be reviewed by ict and a proposed revision will be submitted to ig.	IC	31/05/2022	Dec-22	Policies have been taken to ISIG and are being reviewed as part of the ISIG programme.	Green
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
Either as part of the information gathering process for the system register replacement or as a separate exercise, legacy systems, i.e. Those being close to or out of support, should be identified together with mitigations in place. This is a complex and time consuming exercise which will require drawing together various pieces of information gathered from various existing record and device discovery exercises. As such it should be treated as project to ensure it is properly co-ordinated. The council needs to understand any exposures in its attack surface and as legacy systems present a risk to the overall ict security posture of	Open	Significant	This will be discussed with the Exec Director of Resources to determine if it is appropriate to be included in DTP phase 2 as it is an outstanding action from DTP phase 1. Any activity in this area would require significant investment in time and resources from staff across the Council so any activity to fulfil this would require significant senior management support.	DB	31/05/2022	Apr-23	David Baker has discussed with Ben Jay and keen to press ahead. Will need significant time allocated, potential issue around timescales. Data gathering exercise will take place to determine how we best use info to identify legacy systems. Needs to be run as a project.	Green

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the organisation, the recording of legacy systems can be used as the basis for resource allocation to prioritise their replacement.								
Where the Legacy IT Hardware and Software Security Policy mitigations cannot be fully enforced the exceptions should be approved by Information Governance.	Open	Requires Attention	Agreed, this will be included as a clause in the revised policy.	ICT/IG	30/06/2022	Dec-22	Review of legacy IT security and hardware policy to be carried out for ISIG meeting.	Amber
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
The ict risk register should contain details of the legacy system risk level in relation to vulnerability exposure. This should be based on the level of mitigations in place captured as part of the record of legacy systems	Open	Requires attention	This can only be implemented fully if the project recommended in rec 2 is executed. Where known this will be completed.	DB/IC	30/06/2022	Dec-23	This will need to be done in conjunction with rec 2. A full register will need to be developed to allow this to be addressed.	Amber
As part of the project as proposed in recommendation 2, arrangements should be made to investigate and mitigate the risks or seek exceptions for the legacy systems detailed in this audit.	Open	Requires Attention	This can only be implemented fully if the project recommended in rec 2 is executed.	DB	30/06/2022	Mar-23	To be included in the recommend project, considerations around recharging will be discussed with Finance.	Amber

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To investigate the use of legacy protocols and where possible to remove this form of authentication.	Complete	Significant	This will be investigated but any decision to remove legacy protocols will require business approval. This will be managed via the IG process. Use of legacy protocols is reviewed during our annual PSN health check and risk rated for business impact if removed.	IC	31/10/2022	N/A	Review of legacy protocols was completed. Procurement activity is underway in print unit to upgrade systems requiring legacy protocols. Print system was upgraded and we are monitoring MS notifications of end of life protocols.	Blue
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
The introduction of some form of standard charge for legacy systems maintained on the network should be considered in order that there is a cost differential established for services retaining unsupported systems.	Open	Requires Attention	Where direct costs are incurred these would be recharged to the specific business area. We will investigate with the Council management whether they wish to introduce more specific charging.	DB	30/04/2022	Mar-23	Will be considered as part of the recommended project. Will be dependant on us knowing legacy system however we need to determine how much extra cost legacy systems are incurring to protect and support.	Amber
Ideally there should be a specific third-party access policy, however as a minimum the various policies and procedures which have some reference to third party external access should be updated to reflect both current and best practices in relation to "external access" arrangements. This should for	Open	Requires Attention	A specific third-party access policy will be discussed in Information Governance (IG) for a decision on whether to document a specific policy, once this has been decided and documented a review of external access arrangements will be carried out to identify where current arrangements	IC DPO Information Governance (policy documentation)	June 2022 September 2022	Dec-22	Policies have been taken to ISIG and are being reviewed as part of the ISIG programme.	Green

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example reflect the Council's use of cloud services (e.g., B2B), a requirement for periodic confirmation of third-party access agreements and the removal of outdated information from the guides to "Access to information or systems by a third party".			are not in line with the new policy.					
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
The Identification and Authentication Policy and Network Security policies in relation to third party access should be brought into line with each other in relation to the requirement for multi factor authentication.	Open	Requires Attention	These policies will be reviewed in line with the proposed review of the Third-Party Access policy.	IC DPO Information Governance (policy documentation)	June 2022 September 2022	DEC-22	Policies have been taken to ISIG and are being reviewed as part of the ISIG programme.	Green
Although it appears that Active Directory Organisational Units are used to classify external users, control could be improved if there was a requirement in the process for a comprehensive record of users' external access and authentication mechanisms to be maintained and that all the	Open	Requires Attention	This will be discussed with Information Governance to agree areas of responsibility if we do maintain a central register. Also, roles and responsibilities and processes will need to be agreed and communicated to the business. Once completed a review of external accounts will be carried out to	DP	OCT-22	DEC-22	Being discussed with ICT and IG to determine who is most appropriate to own this process	Green

external AD accounts were now brought into line with the current naming convention of having a "EXT "prefix. The record currently being maintained by the service desk could form the basis of such a comprehensive record.			determine any accounts which need modification to their naming convention.					
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
In addition to the requirement for periodic confirmation of user access compliance through a requirement to renew the access-to-information-or-systems-by-third-parties declaration, periodic reviews of external Active Directory accounts should be completed, and any dormant accounts removed. In addition, Guest user access should be reviewed periodically, Microsoft in their documentation suggest this be conducted every four months.	Open	Significant	This will be considered as part of the general process review recommended elsewhere in this audit. If it is decided to proceed an automated way of monitoring activity and removing unnecessary guest access will be investigated for implementation.	DP/IC	Oct-22	DEC-22	A number of have been disabled that have been inactive for a period of time. We need to review and look at the tools available as well as allocate staff to complete this work	Amber

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<p>As part of a review of contractor accounts and possible renaming to conform to the EXT naming convention the end date and password expiry settings applied to these accounts should also be reviewed.</p>	<p>Open</p>	<p>Requires Attention</p>	<p>The accounts identified in this finding will be reviewed as they appear to be system accounts rather than supplier or EXT accounts. The password and expiry settings will be considered as part of the policy review recommended elsewhere in this audit.</p>	<p>DP</p>	<p>OCT-22</p>	<p>Q1 2023</p>	<p>Review complete and external accounts have been consolidated, a review of system accounts is in progress.</p>	<p>Green</p>
<p>Recommendation</p>	<p>Status</p>	<p>Rec. Rating</p>	<p>Management Response</p>	<p>Lead Officer</p>	<p>Date To Be Actioned</p>	<p>New Target Date</p>	<p>Updated Position</p>	<p>Rag Status</p>
<p>Guest access should be reviewed, and Multi Factor authentication should be enforced, this could be implemented on a risk basis, if necessary based on the nature of the information being accessed. As part of this review the access requirements for the ADASS employees should be reviewed to determine whether the current methods provide an appropriate and secure mechanism of access, particularly given that they have both Active Directory and one or more Azure (B2B) Guest accounts.</p>	<p>Open</p>	<p>Significant</p>	<p>ADASS currently operate within the Shropshire Council (SC) network and conform to the MFA requirement (password and device certificate). Their user accounts and devices are configured to communicate with their separate M365 tenant (which the SC IT department manages) to allow them to have their own email suffix and SharePoint infrastructure. Their guest accounts in the SC M365 tenant will likely be a result of SC SharePoint or Teams sites being shared with WM-ADASS as technically this would be required as they will be accessing SC</p>	<p>DP/IC</p>	<p>SEPT-22</p>	<p>Q2 2023</p>	<p>MFA data is not currently required for guest account logins. This will be tied into zero trust security.</p>	<p>Green</p>

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			Teams/SharePoint from a different M365 tenancy. A general review and redesign of how WM-ADASS and other organisations are configured has been planned for some time however due to over overriding work priorities and limited staff resources this has not been possible to date. Once recruitment of the AD for Finance and Technology and Head of Service for Automation and Technology has been completed this will be discussed to determine if it is a corporate priority for delivery, if appropriate we will then resource the required work.					
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
As recommended in 2020/21, The business case for the annual equipment replacement programme as set out in the Council's Workforce Digital Strategy 2020/21 should be completed at the earliest opportunity and submitted for approval. Following this a budget should be agreed, formally approved and subject to regular monitoring to ensure that spend is appropriate.	Open	Significant	A proposed budget for equipment replacement has been included in the 2022/2023 capital budget proposal that will be discussed at the February Council meeting. ICT is beginning preparatory work to implement an ongoing PCR scheme in the new financial year on the assumption that the budget will be approved. Ongoing monitoring of this will form part of the monthly budget monitoring and capital budget monitoring training has been attended by several ICT staff.	DP	February 2022 - Budget April 2022 - PCR Scheme	Oct-22	Budget has been approved by finance. We are setting up a 2 phase implementation for a replace scheme and a business case outlining this is with AD. We haven't yet agreed on ongoing monitoring. This will be discussed with finance business partner. DP is working through. Requested template for appendices DP has been asked to complete. Aiming to feedback to finance by end of the week minus appendices unless they share before then.	Green

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As recommended in 2020/21, at the earliest opportunity ICT Business Administration procedure notes should be brought up to date, formalised and disseminated to key officers to ensure that, in the event of new staff or unscheduled absences, clear instructions are available which enable ICT Business Administration tasks to be undertaken.	Complete	Significant	Work has commenced on this however due to 2 staff members leaving this team in the second half of 2021 and delays with recruiting replacements this has not progressed as hoped. A new staff member will be joining this team in mid February and this work will be prioritised following the financial year end.	CH	31/07/2022	N/A	We have procedures saved in SharePoint. Support Services/Admin/New Procedures. It is something that we will keep adding to as processes are reviewed	Blue
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
As recommended in 2020/21, action should be taken to ensure that contract information is up to date in Business World at the earliest opportunity.	Complete	Significant	Significant work has been completed by the ICT Business Support and Corporate Procurement teams on this subject. A single complete view of our contracts has been documented and is available to all relevant staff members for review. Contract updates are provided in the fortnightly ICT Board meetings to ensure any required actions are identified and allocated to the relevant responsible officer	N/A	Implemented	N/A	Implemented	Blue

As recommended in 2020/21 a contract for the provision of ICT hardware i.e. PC's, laptops and mobile devices should be secured in line with the Council's Contract Procedure Rules at the earliest opportunity.	Open	Fundamental	Activity is underway to procure a contract for this provision, it has been delayed due to limited staff time and other procurement activities requiring attention. Given current lead times on these activities we are forecasting April for this to be complete – it is also a pre-requisite of a formal PCR programme. In the interim when equipment is purchased multiple quotes are sought and individual purchases are below the procurement threshold, however it is recognised that this is not a sustainable position.	DP	30/04/2022	Dec-22	Doing 2 procurements to cover this. Using the KCS framework to allow for direct award based on price. 2nd is a 3 year contract through ccs. KCS implemented this month. Had call with suppliers on different technologies and call with Microsoft next week to discuss hardware options.	Green
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
As recommended in 2020/21, in addition to action being taken to ensure that an appropriate contract is in place for the provision of ICT Hardware, officers should be reminded to ensure compliance with the Council's Contact Procedure Rules. This includes adherence to the formal tender process for major contracts, which includes the contract for the provision of ICT Hardware which has been identified at pre award as a major contract. The management of contracts should be prioritised, this includes their	Complete	Significant	ICT staff have attended recent procurement training and contracts/procurements are a standing agenda item on ICT Board meeting agendas.	N/A	Implemented	N/A	Implemented	Blue

renewal which should be considered well in advance of contracts expiring to ensure that appropriate, approved and ongoing arrangements are in place.								
As recommended in 2020/21 a list of consumable products from approved suppliers should be established and kept up to date.	Open	Requires attention	This is not currently possible due to ongoing market fluctuations relating to global supply issues for electronic products. Once the market situation stabilises this will be put in place, however we cannot currently "standardise" our consumable product list without risking significant delays fulfilling staff orders.	CH	June 2022 - market review	Mar-23	We are still struggling with stock at the moment – so we need to give the market longer to settle down – we are finding we get a quote for something one day and come to order it the next its gone at the moment so not able to do this one at the moment.	Green
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
As recommended in 2020/21, action should be taken at the earliest opportunity to undertake monthly stock checks to ensure that ICT equipment can be accounted for and is fit for purpose. Any discrepancies and/or concerns should be reported to senior management and where applicable the supplier without delay. Assurance should be sought that the processes and procedures in place for the delivery and receipt of ICT purchases are appropriate and steps are being taken to ensure that the risk of stock being misappropriated, lost or received as damaged or	Complete	Significant	Monthly stock checks are now in place, due to staff turnover and limitations placed on Shirehall access this did take longer to implement that originally planned. Investigations are proceeding on implementing an electronic stock management system however it is not known if this can be achieved within our existing system portfolio. If this is not possible given the current financial situation it is unlikely this will be pursued.	CH	April 2022- investigatory work	Q3 2022	We are doing the monthly stock checks and we are looking into using Ivanti as a stock system	Blue

<p>incorrect is mitigated or reduced. Furthermore, investigations should be progressed on the use of a barcoding system to track stock more efficiently.</p>								
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
<p>There should be a fundamental review of the services delivered by ICT and of the delivery and support methodology and staffing. The council should establish where it is in relation to the cloud adoption framework and use it for azure to build the right adoption strategy, to ensure that the council takes full advantage of azure to meet its digital transformation goals.</p>	Open	Fundamental	<p>A proposed restructure of ICT as a service is being proposed as part of the Corporate Digital Strategy. Through normal operation and audit review the gaps in responsibility and ownership have been identified and these findings should feature as part of an overall ICT services review that can feed into the proposed service restructure. Alignment to corporate and business aims should be to the fore and of any tool or service. Currently the alignment has been ICT lead rather than business lead and this has been identified in other audits outside of ICT. The new Corporate and Digital strategy should address this.</p>	DB	<p>Following the formal adoption of the digital strategy and after direction and approval by the head of resources on the approach. Q4 2022</p>	Q2 2023	N/A	Green

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Governance and operational procedures for allocating, managing and reviewing active roles should be documented and implemented. A fundamental review of the current allocation of azure roles and azure active directory roles should be undertaken and best practices in relation to both should be adopted.	Complete	Significant	This has been captured in other audits and some previous proposed actions have been superseded by the proposed ICT restructure. Temporary allocation of roles and responsibilities has been implemented pending the restructure and further work is being undertaken based on actions identified by other audits. One such activity is a full review of roles and responsibilities for elevated privileges that has been prioritised as part of our cyber security readiness work	DB	As above q4 2022 other actions supporting the immediate need as identified in other audits elevated rights review and related actions March 2022	N/A	Review of admin roles of IT staff has been undertaken and anomalies identified and rectified. PIM has been implemented for m365 based roles.	Blue
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
The council should adopt best practice in relation to the concept of least privilege for the allocation of both azure and azure active directory roles.	Complete	Significant	Agreed and work is being undertaken as part of our cyber readiness work	DB	31/03/2022	N/A	Reviewed access and implemented PIM and removed access for those who those who it was believed it was no longer required.	Blue
Azure and O365 administrative and security procedures should be documented including the rational for any security settings within the portals	Open	Requires Attention	Agreed. Urgent reviews of current settings are being carried out as part of our cyber readiness work. We will explore ways of efficiently recording the rational for each setting.	IC	Documentation of our key security settings June 2022	March 2023	A project reviewing our security position in M365 is underway, this will be included in that work	Green

<p>A detailed review of the existing procedures, configurations and policies and evaluation against the NCSA/Microsoft O365 security assessment guide and the blueprint for secure configuration in the public sector should be completed to ensure that they meet the "better" level of security advised by Microsoft.</p>	<p>Open</p>	<p>Requires Attention</p>	<p>We have an ongoing relationship with Microsoft around best / better practice and have made changes as part of that engagement over many years. We are currently working with Microsoft around the adoption the e5 security features to ensure we apply correctly and appropriately to meet business need. As part of the this process a review of security stances and postures is included.</p>	<p>IC</p>	<p>The second of these assessments is being undertaken now. Final report will be completed March 2022</p>	<p>Q4 2022</p>	<p>Microsoft assessments have been completed and recommended actions have been factored into a work plan developed by ICT which is being reported on a fortnightly basis to the safety and resilience group.</p>	<p>Green</p>
<p>Recommendation</p>	<p>Status</p>	<p>Rec. Rating</p>	<p>Management Response</p>	<p>Lead Officer</p>	<p>Date To Be Actioned</p>	<p>New Target Date</p>	<p>Updated Position</p>	<p>Rag Status</p>
<p>As part of the recommended general review of azure and o365 responsibilities, cost monitoring and billing responsibilities and azure role allocations should be clearly defined.</p>	<p>Open</p>	<p>Requires Attention</p>	<p>ICT management/global administrators currently have budgetary responsibility for azure costs. Temporary allocation of roles and responsibilities has been implemented pending the restructure and further work is being undertaken based on actions identified by other audits. A proposed restructure of ICT as a service is being proposed as part of the</p>	<p>DB</p>	<p>Completed Completed ICT restructure Q4 2022</p>	<p>MAR-23</p>	<p>Linked to restructure of ICT</p>	<p>Green</p>

			corporate digital strategy. Through normal operation and audit review the gaps in responsibility and ownership have been identified and these findings should feature as part of an overall ICT services review that can feed into the proposed service restructure.					
The monitoring and response to m365 updates should be included as part of the overall review of procedures and management review.	Open	Significant	A proposed restructure of ICT as a service is being proposed as part of the corporate digital strategy. Through normal operation and audit review the gaps in responsibility and ownership have been identified and these findings should feature as part of an overall ICT services review that can feed into the proposed service restructure	DB	Q4 2022	N/A	Linked to restructure of ICT Taken actions to make sure we are monitoring MS updates and are now allocated out to relevant teams when they get issued to us.	Green
Recommendation	Status	Rec. Rating	Management Response	Lead Officer	Date To Be Actioned	New Target Date	Updated Position	Rag Status
The fixed line and mobile contracts should be prepared and issued for tender as soon as reasonably possible. A full business case should be prepared for the fixed lines contract. In future the process to retender contracts should be started prior to the expiration of the current contract.	Complete	Fundamental	Procurement activities for these contracts are underway. As communicated during this audit there are technical reasons why some of the procurement activity has been delayed, these reasons still exist (the main one being the proposed closure of Shirehall in three years). Staffing resources in the ICT department and the Telecoms area in particular have been severely stretched, we are	DP	Business Care RE Additional Staff – Sept 2020 RFI for Fixed Lines – Sept 2020 Business Case for Procurement– November 2020	Q3 2022	Mobile phone and fixed line contracts have both been awarded.	Blue

			currently attempting to obtain funding for an additional position to alleviate the work burden which should allow more attention to be given to this area in future. A procurement timeline for these contracts has been developed.		Procurement – Jan 2021			
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Committee and Date

Audit

24 November 2022

Item

Public

Audit Report Management Response – Information Security Management and IT Acceptable Usage Policy

Responsible Officer

e-mail: tim.collard@shropshire.gov.uk Tel: 01743 252756

1. Synopsis

This report outlines the Council’s current position and progress made in responding to the Audits for Information Security Management and the IT Acceptable Usage Policy.

2. Executive Summary

- 2.1. Attached to this report in the Appendix is a Table which provides an update to the various recommendations and management responses made to the two audits referred to with-in the synopsis.
- 2.2. It is acknowledged that progress is not as advanced as we might have hoped, but there is a plan in place to address all of the outstanding concerns raised within the audits.
- 2.3. There is currently a system in place for overseeing information governance and security issues. A meeting of the Information Governance/ICT Security Group meets on a monthly basis, chaired by the Assistant Director – Legal and Governance (and Deputy SIRO). In the past six months this meeting has discussed a range of issues including the recent system password changes, cyber security solutions, training and the “phishing tackle test”, various policy reviews (eg passwords and removeable media), requests to use external cloud data transfer options such as Dropbox, and the implementation of a data loss prevention process.
- 2.4. The Council has established the Information Governance Leadership and Organisational Oversight Group of “IGLOO” for short. This is chaired by the Executive Director of Resources (and SIRO) and includes senior officers from across the Council.

- 2.5. We have commenced the drafting of an Information Governance Framework which will set out in detail the responsibilities of staff, members and various identified statutory roles within the Council. This Policy will then be under-pinned by a wide-range of operational policies such as the Information Security Policy which will set out the standards the Council has put in place to protect information from unauthorised access, use or disclosure.
- 2.6. The Information Governance Framework will define responsibilities across the organisation. In particular, whilst overall strategic responsibility for information security rests with the Executive Director of Resources as the SIRO and the Assistant Director – Legal and Governance it is envisaged that a more operational day to day oversight will be taken on when an appointment is made to the proposed Head of Governance role.

3. Recommendations

- 3.1. That Members of the committee consider the progress made on the implementation of the recommendations from the two audit committee reports on Information Security Management and the Acceptable Usage Policy and determine what further measures they would consider to be appropriate.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. Information security measures and an effective Acceptable Use Policy are both crucial in mitigating the significant risks the Council faces from cyber attacks.
- 4.2. Concerns remain about some members and officers who have failed to complete their cyber security training. Various strategies have been introduced to address these concerns which can be discussed with the Committee in more detail.
- 4.3. A key principle (Principle 6) of the UK GDPR and DPA 2018 is that organisations must process personal data securely by means of appropriate technical and organisational measures. It demonstrates that the council is committed to protecting the data of the citizens it serves. The regular auditing of the Council's Information Governance processes ensure that Principle 6 is complied with.

5. Financial Implications

- 5.1. The council runs the risk of financial penalties being imposed if personal data breaches occur. If good information governance and

security are in place, the likelihood of breaches occurring will be reduced.

- 5.2. A successful cyber-attack could mean that the Council's IT systems are locked down unless a substantial fine is paid. Pending resolution of such an attack, the Council would need to revert to alternative mechanisms for delivering its services, all of which are likely to be extremely expensive.

6. Climate Change Appraisal

- 6.1. There are no direct climate change implications arising from this report.

7. Background

- 7.1. As can be seen from the table in the Appendix various recommendations have been made as part of the two audits carried out into Information Security Management and the Council's Acceptable Use Policy. Certain of these recommendations are sensitive in nature and if Audit Committee require a more detailed explanation consideration will need to be given to go into Exempt Session.
- 7.2. In terms of Information Security Management the position is as set out in the Executive Summary. An overarching Information Governance Framework is being developed. Beneath this will be an Information Security Policy (dealing with, amongst other things, the key issue of cyber security). The Framework will be presented to Cabinet for approval probably in January. All other operational procedures, including the Acceptable Use Policy will sit under this over-arching Framework to ensure consistency.
- 7.3. Data Loss Prevention ("DLP") is the software that can detect and prevent data breaches, exfiltration, or unwanted destruction of sensitive data. Currently Information Governance and ICT Security are discussing how DLP can be implemented and used to provide assurance of correct controls being used to prevent data breaches.
- 7.4. Another recommendation concerns the need for a record of Information security incidents. Again, there are on-going discussions between Information Governance and ICT Security to establish how current reporting methods can be developed to record all security incidents. This will enable better reporting on all incident types (such as policy breaches, cyber incidents and personal data breaches). Greater clarity on the nature/type of incident will inform what further controls are required to prevent future breaches and quantify the success of any measures put in place.

- 7.5. In terms of the Acceptable Use Audit, all staff have been reminded about the policy. This has included an explanation of the procedures to follow if there has been a breach of the Acceptable Use policy. Intranet guidance on reporting of information security incidents will be updated when the reporting tool (mentioned in paragraph 7.4) is available.
- 7.6. A Review of the Mobile and Remote Working Policy is being carried out to reflect new working models. HR and the Communications Teams have been involved in this review.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Internal Audit Reports:

- Information Security Management 2021/22
- IT Acceptable Usage Policy 2021/22

Cabinet Member (Portfolio Holder)

Rob Gittins

Local Member

All

Appendices

Appendix - Update on Management Responses to Audit Recommendations.

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APPENDIX

ACTION PLAN FOR IT ACCEPTABLE USAGE POLICY 2021/22

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments for Audit Report
1.1	1	All guidance and policy documents relating to the acceptable use of IT facilities and systems should be reviewed. Consideration should be given to consolidating these into one policy and cross-referencing other policy documents that underpin the acceptable usage policy. They should be published to all users. User training materials should reflect these changes and users should be asked to confirm formally that they have read and understood what is required of them.	Significant	The appropriate policies will be reviewed and consideration will be given as to the consolidation of the policies into a more easily consumed format. Methods to enforce acknowledgement and understanding will also be considered.	Tim Collard Tim Collard	December 2022 December 2022	Progress is now being made towards a review of all guidance and policy documents relating to Information Governance and Security. An overarching Information Governance Framework is being developed which will provide the context for all policies and guidance in this area.
1.2	2	A reminder should be issued to all staff on the location of the IT Acceptable Usage Policy.	Requires Attention	Agreed.	Tim Collard	December 2022	Confirm completion

1.3	3	In light of the refocus programme and the new hybrid approach to working, the Mobile and Remote Working Policy should be reviewed to ensure that the home working environment is fully considered and that the practicalities of mixing home and work life are detailed within it.	Requires Attention	The current policy is a security policy and the bulk of it is still applicable. This will be reviewed for security considerations as the Refocus and other programmes develop. Where guidance from HR is required, this will be considered.	Tim Collard	December 2022	An initial review has been undertaken but will be reviewed further once the Information Governance Framework has been completed
2.1	4	A reminder should be issued to all Council users on the procedures to follow in the event of a potential breach of acceptable use policies and guidance	Requires Attention	Agreed.	Tim Collard	December 2022	Confirm completion
3.1	5	All logs should be collated into a single Security Information and Event Management (SIEM) system, which can then process logs in near real time and create alerts for anomalies as soon as possible. Procedures should be created for the ongoing management and monitoring along with a formal review of the protective monitoring policy which is overdue by more than one year.	Significant	Funding for such a system is not identified, however SIEM products will be investigated and a business case produced to support any procurement if agreed to proceed.	Ian Churms/Chris Warrender	June 2022	The Council is currently trialling a third-party service which is proving of great value. A decision around a long-term investment will be taken in the new year

3.2	6	Intranet guidance regarding information security incident reporting should be reviewed and updated	Requires Attention	Agreed	Tim Collard	June 2022	This is being updated and will be completed once the Ivanti Information Security reporting process is in place.
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ACTION PLAN FOR INFORMATION SECURITY MANAGEMENT 2021/22

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned	Comments for Audit Report
2.1	2	The authority should have a suitably qualified Information Governance Officer/CISO in place as soon as possible in order to ensure that an appropriate information security governance framework is developed and managed.	Significant	The issue regarding the appropriate resourcing/skillset requirements for Information Governance and the development of a security framework will be raised with James Walton SIRO	Tim Collard	Early 2022	The authority has a qualified Data Protection Officer/Information Governance Officer in place. It is envisaged that Information Security generally will be the responsibility of the new Head of Governance role to which will be appointed to shortly. In the meantime, the

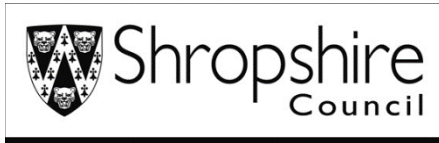
							responsibilities are split between IG and IT Security. The Information Security Strategy will sit under the Information Governance Framework.
2.2	3	<p>The structure and purpose of the information security and governance groups should be revisited and terms of referenced produced for each. In relation to the steering group, currently the Information Governance Group, this should include the overseeing of the actions of the working group, currently the ISIGIT group.</p> <p>In addition, there should be a clear trail of actions agreed at the working group from the agenda through to the actions list. The interrelationship and referencing of items carried forward to actions should therefore be revisited. Ideally more formal minutes should be maintained as currently there is no record of the discussions for each topic on the agenda.</p>	Significant	<p>Done and continued to be worked on.</p> <p>ToR in place for security group and drafted for the IGG group</p>	James Walton (SIRO)	Completed subject to IGG approval in January 2022	

4.1	5	The council, as part of its Information Governance process develop a data centric risk analysis and an information governance strategy alongside an overall cybersecurity strategy. This will allow the council to determine the appropriate level of security controls required and/or relied upon for its key data assets.	Requires Attention	The use of data risk mechanisms and analysis together with the development of an information governance strategy will be raised with James Walton, SIRO.	Tim Collard	June 2022	An Information Governance Risk Register has been commenced. Information Governance Strategy is being developed (as above). A new cyber strategy is being created with the new Head of Automation and Technology alongside continuing technical and financial investment in this area.
5.1	6	The roles of Information Governance and ICT in the creation of O365 Data Loss Prevention Policies (DLP) and investigation of DLP non compliances should be defined and agreed by all parties. Once agreed the configuration of the current DLP policies should be completed. In addition, the O365 data scanning tools available under the E5 agreement should be used to identify and label any sensitive data stored within the file storage systems	Requires Attention	The development of further DLP policies and the use of O365 tools is a medium-term goal. This however is reliant on the available resource being in place to both develop the policies and to evaluate their impact. In the short term the process for	Tim Collard	June 2022	IG and ICT Security are considering ways of using DLP to i) reduce the number of security incidents, ii) monitor email traffic to check use of appropriate security controls when sending personal and financial information and iii) help to raise awareness of users of email services.

				<p>monitoring noncompliance with existing deployed DLP policies will be determined and implemented.</p> <p>The overall approach to DLP will be raised within the within the IGIT group and an action plan developed.</p>			
9.1	8	<p>There should be some form of summary record maintained of incidents, the template produced in January 2021 would seem a reasonable starting point, although it should also include a reference to the investigation files. The Information Governance Group should specify their incident reporting information requirements in order to maximise the benefit of lessons learned across the organisation.</p>	Requires Attention	<p>The requirement for reporting to IGG will be discussed at the next IGG group so that appropriate, meaningful and accurate reporting can be provided.</p> <p>IG / IS will amend the recording and collation as required to meet the reporting needs of IGG</p>	Ian Churms	Early 2022	<p>Incident Management is being reviewed. IG and IT are considering a single reporting tool where all Security Incidents, Cyber Incidents and Personal Data Breaches can be recorded in one place. This will enable several teams to work more easily together where breaches need a response from multiple teams, eg cyber incident resulting in personal data being compromised. This will enable better reporting to</p>

							be provided to management teams so that underlying causes and new vulnerabilities can be identified and treated early
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<u>Committee and Date</u>
Audit Committee – 24 th November 2022

<u>Item</u>

PAYROLL AUDIT 2021/22

Responsible Officer Sam Williams, Assistant Director – Workforce & Improvement
e-mail: sam.williams@shropshire.gov.uk Tel: 01743 252817

1. Synopsis

1.1 This report provides an update on the actions to address the recommendations arising out of the Payroll Audit for 2021/22.

2. Executive Summary

2.1 This report sets out the actions taken so far to address the recommendations arising out of the Payroll Audit and what further interventions are planned.

2.2 The Audit resulted in an Unsatisfactory level of assurance. The period of time that the audit covered was during the Covid 19 pandemic where additional pressures were placed on the team, as well as delays to planned improvements to the payroll system.

2.3 The risks within the Payroll Operational Risk Register identified a number of issues that have been highlighted in the audit:

- Line manager understanding of processes and actions within ERP and the impact that this has on Payroll.
- The ERP system functionality leading to manual work arounds, delays and additional administration.

2.4 A total of 29 recommendations were made and a summary of progress against these can be seen in the table below:

Recommendation Type	Total	Fully Completed	Outstanding
Fundamental	1	0	1
Significant	19	6	13
Requires Attention	9	3	6

2.5 In response to these recommendations, a detailed Improvement Plan is in now in place. Actions have been taken to address the recommendations, with 9 being completed (6 significant, 3 requires

attention), but given the complexities involved, the deadline of December 2022 for the Fundamental recommendation will not be achieved.

- 2.6 Robust contract management with the supplier is now in place with regular meetings taking place and clear deadlines for resolution of issues. Additional consultancy is being sought to upskill and increase knowledge of members of the payroll and systems admin teams.
- 2.7 It is not yet possible to provide Audit Committee with full management assurance that all recommendations have been addressed and independently verified. Management assurance can be provided that all recommendations are accepted and have been actioned and completed or are actively being worked upon ahead of the next Internal Audit review.

3. Recommendations

- 3.1 Members of the committee are asked to note the contents of the report and the progress made to date to address the audit recommendations.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1 The failure to resolve the issues identified and to develop a system/process that is fit for purpose increases the use of manual work-arounds, places additional demands on staff and has the potential to jeopardise the accuracy of the payments made, figures used in both statutory accounts and returns to the Pension Fund.
- 4.2 This could subsequently lead to loss of confidence in, as well as reputation of the organisation.
- 4.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and there are no direct environmental or equalities consequences.

5. Financial Implications

- 5.1 Failure to have an effective and efficient payroll which ensures payment to individuals in a timely and accurate manner could potentially leave the Council exposed to external challenge and financial ramifications.
- 5.2 There are no financial implications associated with this report. Actions in relation to the recommendations arising from the audit are being managed within existing resources.

6. Climate Change Appraisal

- 6.1. The information contained within this report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation.
- 6.2. The ERP system is designed around a self-service, electronic model and therefore reduces the impact on the climate due reduced paper based processes. In addition, the system sits within the cloud (Software as a Service) therefore reduces overheads from an on-premise system.

7. Background

- 7.1. The council uses an Enterprise Resource Planner System (ERP) which is an integrated HR/Payroll/Finance/Procurement System. The system has been in place since 2019 and replaced two separate HR/Payroll and Finance systems (Resourcelink Zellis and SAMIS).
- 7.2. Many of the recommendations relate to the payroll specific functionality of the ERP system. It should be noted however, that the system does work well for finance related processes. Risks have been raised and mitigations put in place within the operational risk register although many of these are manual work-arounds which do not provide the required level of assurance.
- 7.3. Despite the system being implemented in 2019 a number of issues from go-live remain outstanding as well as elements of the system, from a payroll perspective, that are not currently compliant with legislation without manual work-arounds being in place. These manual work-arounds pose additional risk to the accuracy of the running of payrolls as, inevitably, there will be human error.
- 7.4. The system was designed and built with self-service as the key driver, although many processes are not functioning or working as expected. Therefore, a review of the Council's original requirements is being undertaken, to determine if the original position of self-service still applies to many processes and subsequent decisions taken.

8. Actions against recommendations

- 8.1. The audit of Payroll identified a total of 29 recommendations, of which 1 fundamental, 19 significant and 9 requires attention.
- 8.2. A total of 9 have been completed within the timescales (6 significant, 3 requires attention) with the following actions in place:
 - Provision of quarterly reports to identify annual leave entitlements and hours taken to be monitored by Senior Managers.

- Appropriate evidence to support appointments is retained and uploaded.
- Payments are not to be made outside of the payroll system and any requests for urgent payments are in line with a new agreed process between the HR Admin & Payroll Manager and the Senior Manager.
- Reminders to Managers of checking all forms have been completed before approving the homeworking allowance and those identified in the audit have now been addressed.
- Changes to process for PRO1G reports to capture Officer details and date checked.
- Quarterly increment reports scheduled to identify any errors and action taken to rectify.
- Overpayments – further details including reason recorded on a separate spreadsheet.
- ERP is on a cloud Software as a Service (Saas) environment and assurance re business continuity contained in the contract.

8.3. The outstanding Fundamental recommendation relates to the overall functionality of the ERP System and ensuring that this is 'fit for purpose' to deliver the requirements of a local authority payroll. The subsequent recommendations are directly linked to this overarching one and cover the following areas:

- Previous audit recommendations have been implemented.
- Policies and procedures are in place which ensure compliance with legislation and internal regulations.
- Starters are appropriately authorised and set up in line with internal regulations.
- Employees are paid the correct amount each month to reflect contracted hours.
- There is a regular management review of the overpayments data and recoveries are appropriately controlled.
- Annual leave balances are correct.
- Transactions are processed to the ledger and reconciled on a regular basis.

8.4. Work is ongoing to address the recommendations made but they will not be fully met by the December 2022 deadline as originally proposed, due to the complexities of the system and processes.

8.5. A detailed Improvement Plan is in place, however, which will address the issues raised. Overarching actions to ensure that progress is made against actions include: an ERP Steering Group, chaired by the Executive Director of Resources; an ERP Delivery Group (with relevant stakeholders) is in place; contractual deadlines agreed with the supplier for addressing the outstanding project issues and robust contract management.

- 8.6. In addition, external consultancy support has been scoped and will be commissioned shortly to support the upskilling and knowledge transfer of the system to the Payroll and Systems Admin Teams.
- 8.7. Robust contract management is now in place to progress these issues to resolution in a timely manner with the supplier, and the improvement programme is in place to review current set up and business processes to ensure the system is operating correctly. Additional contractual penalty clauses are also in place in the event of failure to comply with requirements.
- 8.8. A review of all key processes and the system setup, including business decisions is being undertaken, to ensure the system is configured correctly and to ensure that business processes are aligned. In addition, initial business decisions and configuration decisions made at go-live need to be re-visited, to ensure that they are still valid, and remain fit for purpose.
- 8.9. There are significant knowledge and development gaps within the wider business including the level of digital skills, and these need to be addressed through additional training for managers and employees. Examples of these include:
- Managers not recording sickness absence accurately or in a timely manner;
 - Managers not submitting payroll related instructions in a timely manner (e.g. contractual changes, timesheets)
 - Managers not able to competently use other elements of the ERP
 - Lack of required level of technical knowledge of the ERP system by Payroll/Systems Admin.
- 8.10. Payroll are actively monitoring late work requests, and inaccurate form submissions and this is regularly reported to Senior Managers. Monitoring of repeat issues also enables Payroll to highlight and identify any additional training needs required.
- 8.11. As well as the above actions, an options appraisal is being carried out, aligned to the current contract period, to establish the needs of a payroll system in future and this will be used to inform future procurement processes.

9. Conclusions

- 9.1. A robust Improvement Plan and governance is in place to address the recommendations from the payroll audit, enhanced focus is being placed on these areas and robust account management/contract management is taking place to ensure the supplier can meet the needs of a local authority payroll.

- 9.2. Given the number of recommendations contained in the audit including one Fundamental Recommendation, it is not yet possible to provide Audit Committee with full management assurance that all have been addressed and independently verified. Management assurance can be provided that all recommendations are accepted and have been actioned and completed or are actively being worked upon ahead of the next Internal Audit review.
- 9.3. Timescales for the next Internal Audit review will be informed by management assurances on progress on existing recommendations over the next three months.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Internal Audit Performance Report 22/23 – Audit Committee 15th September 2022

1. <https://www.shropshire.gov.uk/committee-services/documents/s32320/09%20Internal%20Audit%20Performance%20Report%20approved.pdf>

Cabinet Member (Portfolio Holder)

Gwilym Butler, Portfolio Holder for Resources

Local Member

N/A

Appendices

N/A



<u>Committee and Date</u>	<u>Item</u>
Audit Committee 24 th November 2022 10:00 am	 <u>Public</u>

Audit Committee Self-Assessment 2022

Responsible Officer James Walton
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1. Synopsis

Shropshire Council’s Audit Committee aims to comply with the Chartered Institute of Public Finance and Accountancy’s guidance on the function and operation of audit committees. There is significant compliance with the code and an improvement plan to address partial compliance.

2. Executive Summary

Members are asked to review and comment on the self-assessment of good practice questionnaire attached to this report. The questionnaire allows members to assess the effectiveness of the Audit Committee and identify whether there are any further improvements that could be made which would improve its overall effectiveness. There are a few areas of partial compliance with good practice, these are identified to be considered and to have appropriate action taken.

3. Recommendations

Members are asked to:

- 3.1. Consider the self-assessment of good practice attached at **Appendix A and C**. Identify any errors or amendments required.
- 3.2. Identify the further work, actions or training required following the refresh of the self-assessment of good practice and the analysis of training requirements attached at **Appendix B**.
- 3.3. Provide the necessary input to enable the action plan to be reviewed and revised to improve areas of weakness.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. The Audit Committee has a key function in ensuring effective corporate governance, risk and control arrangements are in place within the Council. The effectiveness of the committee should be judged by the contribution it makes to, and beneficial impact it has on, the Council's business. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements which empower an effective Audit Committee. By reviewing effectiveness annually using a good practice self-assessment, it can be established that the Committee is demonstrating a high degree of performance, is soundly based, and has a knowledgeable membership unimpaired in any way. Completion of the self-assessment is essential and can also be used to support the planning of the Audit Committee work programme, its training plans and inform the Committee's annual report to Council.
- 4.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities or consultation consequences of this proposal.

5. Financial Implications

- 5.1. There are no financial implications in terms of reviewing the assessment, but any resulting activities may require funding if they are not already allowed for in the base budget.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaptation. Therefore, no effect to report.

7. Background

- 7.1. The Chartered Institute of Public Finance and Accountancy, CIPFA, produced guidance on the function and operation of audit committees; 'Audit Committees in Local Authorities and Police, 2018 edition'. The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK.
- 7.2. Shropshire Council has used this guidance to self-assess the Audit Committee against this recommended practice as an indicator of the Committee's effectiveness; following which any changes or

improvements identified to enhance the Committee's performance should be managed.

- 7.3. The Section 151 Officer and the Chief Audit Executive (CAE)¹ have completed an initial review of the self-assessment, based on information from previous assessments and with knowledge of the Committee's compliance with recommended practices, for members to consider, discuss and amend as appropriate. Members consider the effectiveness of the Committee using the assessment model in some detail at training sessions in both September and October of this year. In preparation for 2022/23, the self-assessment has been updated and circulated to members for consideration prior to this meeting, attached as **Appendix A**. Changes are shown in blue text and underlined.
- 7.4. There have been no changes to membership since the previous training skill evaluations were completed and therefore no further updates are sought on these. Continued learning from the original training self-assessments is important and the data extracted continues to be used to inform training sessions and identify areas for continued improvement. Information from self-assessments is considered against ongoing requests from committee members in response to current topics.
- 7.5. Training sessions provided since October 2021 have included:
- Strategic Risk and Risk management.
 - Treasury Management.
 - Financial Management.
 - Resources Directorate and how the revised structure will help provide assurance on the internal control, risk management and governance environment of the Council.
 - People Directorate and how Adult and Children's Services are working to provide assurances on the internal control, risk management and governance environment of the Council.
 - Governance replacement for the Clinical Commissioning Group going forward and the Assurance processes for the Council.
 - Audit Committee effectiveness review
 - Climate change assurances required by the Committee.
- 7.6. In addition to training sessions the following information has been shared with and between members:
- Guidance for audit committees on cloud services, NAO²
 - Climate change risk, a good practice guide for audit and risk assurance committees, NAO
 - CIPFA, Audit Committee update, helping committees to be effective
 - CIPFA, Audit Committees, practical guidance, 2018 edition

¹ CAE position presently held by the Interim Audit Service Manager

² NAO National Audit Office

- 7.7. **Appendix B** provides a summary from the self-assessment detailed above, showing the areas members have identified for future focus, refresh sessions and where training has been provided.
- 7.8. Following the current review of the Audit Committee self-assessment of good practice, a few areas of partial compliance were identified and question 13 was not currently applicable. These are summarised below with the proposed actions to improve for members to consider as components in an action plan looking forward.

SAR³	Partial compliance	Proposed action
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Members continue to raise awareness as to the role and purpose of the Audit Committee and the value that can be added by all to improve governance, risk management and internal controls. Members can refer others to the Induction training of Audit and Members outside of the Audit Committee are welcome to attend training sessions where topics are beneficial to all.
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Members continue to consider areas identified for improvement in the Annual Governance Statement against their work and training plans, to ensure coverage of all areas the committee requires assurances from. Increased reporting on delivery against the AGS action plan is to be considered.
12	Has an effective audit committee structure and composition of the committee been selected? <ul style="list-style-type: none"> An appropriate mix of knowledge and skills among the membership. 	The Audit Committee structure provides representation from the three major political groups. Members are continually building on their knowledge of Audit, this is broadened and enhanced by consideration of their relevant training requirements and the development of future training plans.

³ SAR = Self-assessment reference

SAR³	Partial compliance	Proposed action
		Training planned throughout the year.

7.9. *Do members wish to make any adjustments to the self-assessment?*

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA: Audit Committees in Local Authorities and Police, 2018 edition

Cabinet Member (Portfolio Holder)

Lezley Picton, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member

N/A

Appendices

A Self-assessment of good practice November 2022

B Audit Committee – self assessment supporting information: Knowledge and Skills baseline assessment August 2021

B2 Improvement plan for an effective Audit Committee to be refreshed annually in December

C Self-assessment of good practice showing evidence

Appendix A: Self-assessment of Good Practice – Updated November 2022

Good practice questions		Yes	Partly	No
Audit Committee purpose and governance				
1.	Does the authority have a dedicated audit committee?	✓		
2.	Does the audit committee report directly to full council?	✓		
3.	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s Position Statement?	✓		
4.	Is the role and purpose of the audit committee understood and accepted across the authority?		✓	
5.	Does the audit committee provide support to the authority in meeting the requirements of good governance?		✓	
6.	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓		
Functions of the committee				
7.	Do the committee’s terms of reference explicitly address all the core areas identified in CIPFAs Position Statement?			
	<ul style="list-style-type: none"> • Good governance 	✓		
	<ul style="list-style-type: none"> • Assurance framework, including partnerships and collaboration arrangements 	✓		

Good practice questions		Yes	Partly	No
	<ul style="list-style-type: none"> • Internal audit 	✓		
	<ul style="list-style-type: none"> • External audit 	✓		
	<ul style="list-style-type: none"> • Financial reporting 	✓		
	<ul style="list-style-type: none"> • Risk management 	✓		
	<ul style="list-style-type: none"> • Value for money or best value 	✓		
	<ul style="list-style-type: none"> • Counter-fraud and corruption 	✓		
	<ul style="list-style-type: none"> • Supporting the ethical framework 	✓		
8.	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓		
9.	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	✓		
10.	Where coverage of core areas has been found to be limited, are plans in place to address this?	✓		
11.	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓		
Membership and support				

Good practice questions		Yes	Partly	No
12.	Has an effective audit committee structure and composition of the committee been selected? This should include:		✓	
	<ul style="list-style-type: none"> • Separation from the executive 	✓		
	<ul style="list-style-type: none"> • An appropriate mix of knowledge and skills among the membership 		✓	
	<ul style="list-style-type: none"> • A size of committee that is not unwieldy 	✓		
	<ul style="list-style-type: none"> • Consideration has been given to the inclusion of at least one independent member (where this is not already a mandatory requirement). 	✓		
13.	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council?			N/A
14.	Does the chair of the committee have appropriate knowledge and skills?	✓		
15.	Are arrangements in place to support the committee with briefings and training?	✓		
16.	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	✓		
17.	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓		

Good practice questions		Yes	Partly	No
18.	Is adequate secretariat and administrative support to the committee provided?	✓		
Effectiveness of the committee				
19.	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓		
20.	Are meetings effective with a good level of discussion and engagement from all the members?	✓		
21.	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	✓		
22.	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	✓		
23.	Has the committee evaluated whether and how it is adding value to the organisation?	✓		
24.	Does the committee have an action plan to improve any areas of weakness?	✓		
25.	Does the committee publish an annual report to account for its performance and explain its work?	✓		

Appendix B1: Audit Committee – self assessment supporting information: Knowledge and Skills baseline assessment August 2021

This is used as a baseline and therefore not revisited every year.

	Confident > Comfortable > Not Confident					Rank
Overview of the governance structures of the Council and decision-making processes. Knowledge of the organisational objectives and major functions of the Council	Blue	Blue	Orange	Orange	Orange	M
An understanding of the audit committee’s role and place within the governance structures. Familiarity with the committee’s terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee.	Blue	Blue	Blue	Orange	Green	M
Awareness of the key principles of the Public Sector Internal Audit Standards and the Local Government Application Note. Knowledge of the arrangements for delivery of the internal Audit service in the authority and how the role of the head of internal audit is fulfilled	Orange	Orange	Orange	Green	Green	M
Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. Understanding of good financial management principles. Knowledge of how the organisation meets the requirements of the role of the chief financial officer, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.	Blue	Orange	Orange	Green	Green	M
Knowledge of the role and functions of the external auditor and who currently undertakes this role; the key reports and assurances that external audit will provide; arrangements for the appointment of auditors and quality monitoring undertaken.	Blue	Blue	Blue	Blue	Orange	H
Understanding of the principles of risk management, including linkage to good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding	Blue	Blue	Orange	Green	Green	M

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	Confident > Comfortable > Not Confident					Rank
of risk governance arrangements, including the role of members and of the audit committee						
Understanding of the main areas of fraud risk the organisation is exposed to. Knowledge of the principles of good fraud risk management practice. Knowledge of the organisation's arrangements for tackling fraud.						M
Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangement to uphold ethical standards for both members and staff. Knowledge of the whistleblowing arrangements in the authority.						H
Aware that the Effectiveness Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: - <ul style="list-style-type: none"> regulatory requirements treasury risks the organisation's treasury management strategy the organisation's policies and procedures in relation to treasury management. 						L
Able to focus on material issues and overall position, rather than being side-tracked by detail.						M
Able to frame questions that draw out relevant facts and explanations.						H
Able to understand the reasons for weaknesses in internal control and seek assurances that a solution will be found, providing clear challenge to ensure that actions and allocations of responsibility are clear.						M
Able to understand the practical implications of recommendations to understand how they might work in practice.						M

	Confident > Comfortable > Not Confident					Rank
Able to support the use of plain English in communications, avoiding jargon, acronyms, etc.						H

	Yes<>No<>Partially					Rank
Knowledge gained from a professional qualification in accountancy						L
Knowledge gained from a professional qualification in internal audit						L
Risk management qualification or practical experience of applying risk management or knowledge of risks and opportunities associated with major areas of activity.						M
Legal qualification and knowledge of specific areas of interest to the committee, for example, constitutional arrangements, data protection or contract law.						L
Direct experience of managing or working in a service area similar to that operated by the authority.						L
Knowledge of relevant legislation, risks and challenges associated with major service areas which will help the audit committee to understand the operational context						M
Project management qualifications or practical knowledge of project management principles.						L
Knowledge gained from management or development work in IT.						L

Key to ranking

Level of confidence reported in skills set and knowledge across most committee members

- H High
- M Medium
- L Low

Training delivered and planned for 2022/23

Rank	Skills: Core	Evidence of training since April 2021
M ⁴	Organisational knowledge	
M	Audit Committee role and functions	June 2021 ⁵ (MI); June 2021 ⁶ (AC); Sept 2021
M	Governance	June 2021 (MI) (AC); Sept 2021
M	Internal Audit	June 2021 (MI); Sept 2021
M	Financial management and accounting	June 2021 (MI) (AC); Dec 2021
H	External Audit	June 2021 (MI) (AC)
M	Risk Management	June 2021 (AC); Dec 2021; Jun 2022
M	Counter-fraud	June 2021 (AC); Sept 2021
H	Values of good governance	June 2021 (MI) (AC); Sept 2021
L	Treasury management	June 2021 (AC); Jan 2022; Jun 2022
M	Strategic thinking and understanding of materiality	
H	Questioning and constructive challenge	
M	Focus on improvement	Sept 2021
M	Able to balance practicality against theory	
H	Clear communication skills and focus on the needs of users	
	Skills: Specialist	
L	Accountancy	June 2021 (MI) (AC) Dec 2021
L	Internal Audit	June 2021 (MI) (AC); Sept 2021
M	Risk Management	June 2021 (AC); Planned December 2021
M	Governance and Legal	June 2021 (MI) (AC); Jun 2022
L	Service knowledge relevant to the functions of the organisation	Sept 2021; Feb 2022; Jun 2022 and Oct 2022
L	Programme and project management	
L	IT system and IT governance	

⁴ Based on 5/8 completed responses in August 2021. All permanent members completed the evaluation.

⁵ (MI) Member Induction available to all, not restricted to Audit Committee members

⁶ AC) Member training specific to Audit Committee

Rank	Skills: Core	Evidence of training since April 2021
	Analysis of the effectiveness of Audit Committee; Sept 2022 and Oct 2022	
M/H	Promoting the principles of good governance and their application to decision making.	
M/H	Contributing to the development of an effective control environment.	
H	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	
H	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	
H	Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	
M/H	Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	
M	Supporting the development of robust arrangements for ensuring value for money.	
H	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risk.	
M	Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	

Appendix B2: Improvement plan for an effective Audit Committee to be refreshed annually in November

SAR⁷	Partial compliance	Proposed action	Review November 2022
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Members continue to raise awareness as to the role and purpose of the Audit Committee and the value that can be added by all to improve governance, risk management and internal controls.	Ongoing and Members outside of the Audit Committee are welcome to attend training sessions where topics are beneficial to all.

⁷ SAR = Self-assessment reference

SAR ⁷	Partial compliance	Proposed action	Review November 2022
		Members can refer others to the Induction training of Audit.	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Members continue to consider areas identified for improvement in the Annual Governance Statement against their work and training plans, to ensure coverage of all areas the committee requires assurances from.	Increased reporting on delivery against the AGS action plan is to be considered.
12	Has an effective audit committee structure and composition of the committee been selected? <ul style="list-style-type: none"> • An appropriate mix of knowledge and skills among the membership. 	The Audit Committee structure provides representation from the three major political groups. New members are having knowledge of Audit broadened and enhanced by consideration of their relevant training requirements and the development of future training plans. Training planned December, January and February	Training has been delivered and is continuing to be shaped to embed and enhance skills and knowledge already held by members.

Appendix C: Self-assessment of Good Practice showing evidence

	Good practice questions	Yes/ No/ Partly	Evidence
	Audit Committee purpose and governance		
1.	Does the authority have a dedicated audit committee?	Yes	Constitution, Terms of Reference Actual meetings, details on internet.
2.	Does the audit committee report directly to full council?	Yes	ToR ⁸ paragraph (para) 42 reviewed, revised and reapproved at November Audit Committees.
3.	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Yes	ToR from para 9 reviewed, revised and reapproved at November Audit Committees.
4.	Is this role and purpose of the audit committee understood and accepted across the authority?	Partially	Key officers and members are aware. This may not be fully embedded with all members ⁹ of the Council and sometimes there is confusion over the scrutiny/ audit committee role. Awareness is worked on by key members and officers at every opportunity. Officers and Portfolio Holders are invited to Audit Committee to discuss major risks and control issues. Discussions take place between the Chairman, CEO, senior officers and Portfolio Holders as required.

⁸ Terms of reference

⁹ Induction presentations have been delivered on this topic

	Good practice questions	Yes/ No/ Partly	Evidence
			<p>Member training is sometimes extended to a wider member audience, an example of which was the Treasury Management training January 2022</p> <p>The annual report from Committee to Council informs all members of the Committee’s activities.</p> <p>Proposed Action: <i>Members continue to raise awareness as to the role and purpose of the Audit Committee and the value that can be added by all to improve governance, risk management and internal controls. Members can refer others to the Induction training of Audit and Members outside of the Audit Committee are welcome to attend training sessions where topics are beneficial to all.¹⁰</i></p>
5.	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Partly	<p>ToR para 9-18. ToR Para 44.</p> <p>The Committee’s work plan identifies areas of governance that it provides support on, this is further demonstrated by Committee agendas.</p> <p>The Annual Assurance report to Council presented to the June/ July Committee confirms this and the Annual Governance Statement identifies significant areas for improvement which the Committee can focus on.</p> <p>Proposed Action: <i>Members continue to consider areas identified for improvement in the Annual Governance</i></p>

¹⁰ Blue italics proposed actions are picked up and formulate the improvement plan for the Audit Committee

	Good practice questions	Yes/ No/ Partly	Evidence
			<i>Statements against their work and training plans, to ensure coverage of all areas the committee requires assurances from. Increased reporting on delivery against the AGS action plan is to be considered.</i>
6.	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Yes	<p>No complaints from Council. Annual report to Council appears on July Audit Committee agenda allows members to comment and challenge the Committee's work.</p> <p>Evidence that the Committee is reviewing issues aligned to the Strategic Risks of the Council and the Annual Governance Statement action plans.</p> <p>Proposed Action: <i>An action to review this, to keep it current, is included in 5 above.</i></p>
	Functions of the committee		
7.	Do the committee's terms of reference explicitly address all the core areas identified in CIPFAs 2018 Position Statement?	Yes	
	<ul style="list-style-type: none"> • Good governance 		ToR para 9+
	<ul style="list-style-type: none"> • Assurance framework including partnerships and collaboration arrangements 		ToR para 9+

	Good practice questions	Yes/ No/ Partly	Evidence
	<ul style="list-style-type: none"> Internal audit (IA) 		ToR para 19+
	<ul style="list-style-type: none"> External audit 		ToR para 31+
	<ul style="list-style-type: none"> Financial reporting 		ToR para 37+
	<ul style="list-style-type: none"> Risk management 		ToR para 13+
	<ul style="list-style-type: none"> Value for money or best value 		ToR para 11+
	<ul style="list-style-type: none"> Counter-fraud and corruption 		ToR para 16+
	<ul style="list-style-type: none"> Supporting the ethical framework 		<i>ToR para 10+</i>
8.	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Yes	Evaluation is through the: <ul style="list-style-type: none"> Self-assessment of compliance with this best practice document, reported in December. Annual report to Council is written to map back to the terms of reference. Annual work plan, reported to March Committee, which maps back to the ToR. Agendas, minutes and reports of Committee support that all core areas are being reviewed.

	Good practice questions	Yes/ No/ Partly	Evidence
			<ul style="list-style-type: none"> • Specific training sessions to review the Committee’s effectiveness in September and October 2022.
9.	Has the audit committee considered the wider area identified in CIPFA’s Position Statement and whether it would be appropriate for the committee to undertake them?	Yes	<p>Wider areas are:</p> <ul style="list-style-type: none"> • Matters at the request of Statutory Officers or other committees – if these are brought to the Committee they would be considered in line with the ToR, para 6. • Ethical Values – The Committee does not have responsibility for reviewing ethical standards. A separate Standards Committee which has this responsibility is held as and when required. <i>However, the Committee supports standards and ethics, para 10+.</i> • Treasury Management – The Committee covers this responsibility as evidenced by its ToR para 39+.
10.	Where coverage of core areas has been found to be limited, are plans in place to address this?	Yes	<p>No limitations have been found; evidence is demonstrated openly on public forums in the:</p> <ul style="list-style-type: none"> • Work plan • Regular Committee reports

	Good practice questions	Yes/ No/ Partly	Evidence
			<ul style="list-style-type: none"> • ToR • Annual report to Council • Lack of negative feedback from Council and statutory officers.
11.	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes	ToR, especially para 45, sets out decision making powers. Review of work plans, agendas, reports and minutes demonstrate this, all are available publicly.
	Membership and support		
12.	Has an effective audit committee structure and composition of the committee been selected? This should include:	Partly	
	<ul style="list-style-type: none"> • Separation from the executive 	Yes	ToR, para 1 Where it has been recognised at any time that Members have conflicting responsibilities, they have resigned from the Committee.
	<ul style="list-style-type: none"> • An appropriate mix of knowledge and skills among the membership 	Partly	ToR, para 46+ <i>This is demonstrated by self-assessments completed by Members¹¹ used to inform the training plans covered in publicly available reports on the Committee's annual work plan (February) and the annual report to Council (June/ July).</i> Most members, whilst relatively new to the Committee, have wide experience of public-sector organisations,

¹¹ Completed 2021 to provide a baseline for new members.

	Good practice questions	Yes/ No/ Partly	Evidence
			<p>private business knowledge, internal controls, risk management, financial, and governance awareness. Where members feel further knowledge or training is required, they can and do raise this, demonstrated through work, training plans and self-assessments.</p> <p>The Audit Committee meets the requirements of political balance and the Chairman has served for many years on this Committee.</p> <p>Proposed Action: <i>The Audit Committee structure provides representation from the three major political groups. Members continue to broaden and enhance their own skills and knowledge through consideration of their relevant training requirements and the development of future training plans. Training planned throughout the year.</i></p>
	<ul style="list-style-type: none"> A size of committee that is not unwieldy 	Yes	ToR, para 1
	<ul style="list-style-type: none"> Consideration has been given to the inclusion of at least one independent member (where this is not already a mandatory requirement). 	Yes	There are currently no independent members on the Committee. Appointment would follow good recruitment processes including evaluation of the skills sets required, advertising, clear job specifications and descriptions, selection and awarding processes.

	Good practice questions	Yes/ No/ Partly	Evidence
			Consideration has been given to such an appointment during training sessions and provision is made in the ToR, para 3.
13.	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council?	N/A	As above.
14.	Does the chair of the committee have appropriate knowledge and skills?	Yes	Completion of self-assessment confirms appropriate knowledge and skills are in place. Evidenced by attendance and behaviour at Committee and resulting recommendations and minutes, available publicly The Chair has extensive experience and works closely with the S151 Officer and Chief Audit Executive (CAE) ¹² to retain current knowledge and management of risks. The Chair can identify and influence future training requirements for all Committee members.
15.	Are arrangements in place to support the committee with briefings and training?	Yes	Demonstrated by: <ul style="list-style-type: none"> • Completion of the skills assessment (completed Summer 2021). • Committee work plan (February/March Committee agenda)

¹² CAE presently held by the Interim Audit Service Manager

	Good practice questions	Yes/ No/ Partly	Evidence
			<ul style="list-style-type: none"> • Evidence of regular training including agendas, training documents etc. available on request. • CIPFA's Better Governance Framework provides members with briefing papers at least twice a year and all members can access the web site which provides weekly updates. Specialist training sessions are also accessible through this subscription. • External auditors provide regular updates to the Committee.
16.	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Yes	Training self-assessments were completed by members, summer 2021, and refreshes of the Audit Committee work plan and self-assessment inform the training plan looking forward. There are areas to build upon given the experience of members.
17.	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	Yes	Demonstrated by regular attendance at all Committees by these key stakeholders and the professional way the meetings are managed. Interviews with all parties would help to support this conclusion.
18.	Is adequate secretariat and administrative support to the committee provided?	Yes	Regular qualified and experienced secretarial support is provided to all Committee meetings.

	Good practice questions	Yes/ No/ Partly	Evidence
	Effectiveness of the committee	Yes.	The Committee's structure, work plan and areas covered in training and committee support an effective committee. Members set aside specific training sessions in September and October to consider the Committee's effectiveness. The results of which are reported in this report.
19.	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	<u>Yes</u>	Committee receives verbal feedback from members, officers and external audit. Annual assurance report to Council allows consideration of this by all members.
20.	Are meetings effective with a good level of discussion and engagement from all the members?	Yes	Demonstrated in minutes and by attendees at Committee and by clear requests for further information in a few high-risk areas.
21.	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Yes	Demonstrated in agendas, minutes and reports of the Committee. All unsatisfactory and limited audit areas are reported to Committee and members invite officers from such areas to provide management updates on progress against agreed control improvements.
22.	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Yes	Where there is a need to escalate such issues further, the Committee would do this through known member and officer channels. Clarity has been provided and explored at governance training sessions on how this works in practice.

	Good practice questions	Yes/ No/ Partly	Evidence
23.	Has the committee evaluated whether and how it is adding value to the organisation?	<u>Yes</u>	<p>Demonstrated by the year-end report sent to Council in September (agreed by Audit Committee in July) which sets out delivery in the following areas:</p> <ul style="list-style-type: none"> • Promoting the principles of good governance and their application to decision making; advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively • Contributing to the development of an effective control environment • Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks • Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence • Aiding the achievement of the authority’s goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements • Supporting the development of robust arrangements for ensuring value for money

	Good practice questions	Yes/ No/ Partly	Evidence
			<ul style="list-style-type: none"> Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability <p>In addition, agendas and work is planned and shows clearly where the levels of assurance are coming from, providing opportunity to challenge and ensure a balanced information base is received by members.</p> <p>Members conducted a session on the Committee’s effectiveness in September and October 2022 and agreed an action plan, the key elements of which are reported earlier in this report.</p>
24.	Does the committee have an action plan to improve any areas of weakness?	Yes	Results from this self-assessment are incorporated into an action plan. Appendix B2.
25.	Does the committee publish an annual report to account for its performance and explain its work?	Yes	Annual report to Council appears in June/ July Audit Committee agenda allows members to comment and challenge the Committee’s work. This is a public report.



<u>Committee and Date</u>	<u>Item</u>
Audit Committee 24 th November 2022 10:00 am	<u>Public</u>

INTERNAL AUDIT CHARTER

Responsible Officer Katie Williams

e-mail: Katie.Williams@shropshire.gov.uk Tel: 07584 217067

1. Synopsis

The Charter demonstrates how Internal Audit complies with Public Sector Internal Audit Standards. The Audit Committee approves the Charter which incorporates the mission, code of ethics, definition and core principles of Internal Audit. There are no significant changes.

2. Executive Summary

2.1. The Internal Audit Team works to a Charter which complies with the Public Sector Internal Audit Standards (PSIAS) as applied in the UK, based on international standards. The Charter is reviewed and considered by the Audit Committee on an annual basis; for 2022, **Annex B** has been updated to reflect current clients and a minor tweak made to refer to remove references to the Head of Internal Audit, replacing them with Chief Audit Executive (CAE) in the documentation given the interim arrangements in the Resources Directorate, the post of which is currently filled by the Joint Interim Audit Service Managers.

3. Recommendations

3.1. The Committee are asked to consider and endorse, with appropriate comment, the Internal Audit Charter (Appendix A).

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1. Audit Committee has a key function in ensuring that effective corporate governance arrangements are maintained in the Council. The Internal Audit Charter provides evidence of such arrangements

in respect of the Internal Audit function and complies with the Public Sector Internal Audit Standards.

- 4.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

5. Financial Implications

- 5.1. There are no direct financial implications from adopting the Charter.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaption. Therefore, no effect to report.

7. Background

- 7.1. The Public Sector Internal Audit Standards (PSIAS) 2017 are mandatory for internal audit in public services, including local government. They reflect and are based upon the International Professional Practices Framework (IPPF) of the Global Institute of Internal Auditors. In addition, amendments were made to the public-sector requirements and public-sector interpretations which form part of the PSIAS. The Internal Audit Charter continues to reflect the standards.
- 7.2. Public Sector Internal Audit Standard 1000 requires that Purpose, Authority and Responsibility be defined in an Audit Charter. The Charter establishes Internal Audit's position within the organisation, including the nature of the Chief Audit Executive's¹ reporting relationship with the Audit Committee; authorises access to personnel, records, and physical properties relevant to audit work; and defines the scope of internal audit activities. The senior management and board representatives for Internal Audit's client organisations is set out in **Annex B** of the Charter and there has been an addition made here to reflect a new client, details of which appear in **bold, underlined and italic** font.
- 7.3. The Internal Audit Charter refers to;
- The nature of assurance services provided to the Council.
 - Organisational independence
 - Individual objectivity
 - Impairment to independence or objectivity
 - Proficiency and due professional care

¹ CAE currently is the Interim Audit Service Managers

- Continuing professional development
- Quality assurance and improvement programme – internal and external.

7.4. The Charter will communicate the contribution that Internal Audit makes to the Council and includes:

- Internal Audit’s mission
- Purpose, principles and responsibilities
- Independence and objectivity
- Competencies and standards
- Planning
- Nature of work
- Reporting
- Quality assurance
- Fraud and corruption
- Rights of access.

7.5. Final approval of the Internal Audit Charter resides with Shropshire Council’s Audit Committee.

8. Additional Information

8.1. Adjustments to the attached Charter appear in **bold, underlined and italic font**, these are to refer to the Chief Audit Executive in the documentation given the interim arrangements in the Resources Directorate, the post of which is currently filled by the Joint Interim Audit Service Managers.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Accounts and Audit Regulations 2015

Public Sector Internal Audit Standards 2017

Internal Audit Quality Assurance External Assessment, February 2022

CIPFA Statement on the role of the head of internal audit in public service organisations, 2019 edition

CIPFA Local government application note for the United Kingdom Public Sector Internal Audit Standards 2019 edition

Cabinet Member (Portfolio Holder)

Lezley Picton, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member N/A

Appendix A: Internal Audit Charter with annexes A and B



INTERNAL AUDIT CHARTER

MISSION STATEMENT

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."

INTERNAL AUDIT CHARTER

INTRODUCTION

1. This charter defines for the Council and the community Internal Audit's activities, purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS)². It establishes Internal Audit's position within the Council, including functional reporting relationships with the Audit Committee³, authority to access personnel, records, and physical properties relevant to the undertaking of its engagements⁴; and defines the scope of the Internal Audit activity. Final approval of this Charter rests with the Audit Committee⁵.
2. The PSIAS which encompasses the mandatory elements of the Institute of Internal Auditors (IIA) define Internal Audit as follows: *"Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resource"*.
3. The basis of internal financial administration within the Council lies in the Financial Rules contained in the Council's Constitution. This Charter should be read in conjunction with the relevant sections of these Financial Rules.
4. The authority and requirement for an internal audit function derives from two pieces of legislation: **Section 151 of the Local Government Act 1972**, requires that authorities 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. The **Accounts and Audit Regulations 2015** require that a relevant body must 'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Any officer or member of a relevant body shall if the body requires-make available such documents, records

² PSIAS apply the IIA International Standards to the UK Public Sector and have been endorsed as proper practices by CIPFA, the internal audit standard setters for Local Government.

³ See glossary for translation of the terms used in the Public Sector Internal Audit Standards in respect of Shropshire Council's Internal Audit activity and those of its external clients.

⁴ Engagement is the term in the PSIAS used to represent audit work.

⁵ The Audit Committee is referenced in the PSIAS as the Board.

and information and explanations as are considered necessary by the internal auditors.

5. The Financial Rules (Part 4, Appendix C2) state the Section 151 Officer has a 'statutory responsibility for the overall financial administration of the Council's affairs and is responsible for maintaining an adequate and effective internal audit'.
6. In accordance with good practice, this Charter will be reviewed annually by the Audit Committee after consultation with senior management⁶.

INTERNAL AUDIT PURPOSE AND RESPONSIBILITIES

Purpose

7. Internal Audit led by the Chief Audit Executive (**CAE**)⁷ is 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.'⁸

Principles

8. Internal Audit, the auditors and the internal audit activity, comply with the following principles in delivering and achieving internal audit's mission:
 - Demonstrates integrity.
 - Demonstrates competence and due professional care.
 - Is objective and free from undue influence (independent).
 - Aligns with the strategies, objectives, and risks of the organisation.
 - Is positioned appropriately and resourced adequately.
 - Demonstrates quality and continuous improvement.
 - Communicates effectively.
 - Provides risk-based assurance⁹.
 - Is insightful, proactive, and future-focused.
 - Promotes organisational improvement.

Objectives

9. Internal Audit's objective is to give assurance and an opinion to the Section 151 Officer, Audit Committee and the Council, on the adequacy of the Council's risk management, governance and control

⁶ Senior management comprises of the Head of the Paid Service, Monitoring Officer, Section 151 Officer and directors.

⁷ The **Joint Interim Audit Service Managers** are the Council's Chief Audit Executive as defined in the PSIAS.

⁸ Source Public Sector Internal Audit Standards April 1st, 2017.

⁹ Assurance opinions and recommendation categories are defined in Annex A

environment and the extent to which it can be relied upon, in line with the Accounts and Audit (England) Regulations 2015.

Responsibilities

10. Internal Audit is responsible for conducting an independent appraisal of all the Council's (and that of its external clients) activities, financial or otherwise, including services provided in partnership or under contract with external organisations. It provides this service to the Council and all levels of management.
11. Internal Audit complies with the requirements of the Public Sector Internal Audit Standards (PSIAS) including the Definition of Internal Auditing, the Principles and the Code of Ethics (see **Annex A**) and other relevant guidance; including those issued by individual auditors' professional bodies.
12. The scope of internal audit includes:
 - reviewing, appraising and reporting on the following:
 - the soundness, adequacy and application of internal controls;
 - the extent to which the Council's assets are accounted for and safeguarded from losses of all kinds arising from fraud and other offences, waste, extravagance, inefficient administration, poor value for money or other causes;
 - the suitability and reliability of financial and other management data developed within the Council;
 - carrying out selected value for money reviews of the efficiency and economy of the planning and operation of the Council's functions;
 - providing a responsive, challenging and informative internal advice and consultancy service for committees and services;
 - undertaking any non-recurring studies as directed by the Section 151 Officer;
 - advising on or undertaking fraud investigation work, except for benefit fraud, in accordance with the Council's Fraud Investigation procedure, prosecutions policy and the disciplinary guide;
 - participating in the National Fraud Initiative; and
 - Periodically undertaking an audit needs assessment taking into consideration the authority's risk management process.
13. Internal Audit also carry out special reviews or assignments where requested by management, which fall outside the approved work plan and for which a contingency is included in the audit plan.

INDEPENDENCE AND OBJECTIVITY

14. Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out their responsibilities in an unbiased manner.
15. Objectivity is an unbiased mental attitude that allows internal auditors to perform audit reviews in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not allow their judgement on audit matters to be influenced, distorted, or subordinated by others.
16. Threats to objectivity and independence must be managed at the individual auditor, audit, functional and organisational levels.
17. Internal Audit has no executive responsibilities and is independent of the activities that it audits to enable Auditors to provide impartial and unbiased professional evaluations, opinions and recommendations. Internal Audit is free to plan, undertake and report on its work as the **CAE** deems appropriate, in consultation with relevant managers. Counter fraud is a responsibility of the **CAE** but remains independent of the services from where counter fraud controls are operating.
18. The **CAE** has direct access to the Section 151 Officer, the External Auditor, senior managers, the Leader, Audit Committee and other members as required.
19. The **CAE** fosters constructive working relationships and mutual understanding with management, external auditors and with other review agencies.
20. Constructive working relationships make it more likely that internal audit work will be accepted and acted upon, although the internal auditor does not allow their objectivity or impartiality to be impaired.
21. Internal auditors are required to have an impartial, unbiased attitude characterised by integrity and objectivity in their approach to work. They avoid conflicts of interest and a register of interests is maintained. Audit reviews are planned to ensure potential conflicts are avoided. To ensure integrity and objectivity are not impaired, auditors will not audit areas of previous responsibility for a period of at least twelve months after the responsibility ended. Auditors should not allow external factors to compromise their professional judgement and must maintain confidentiality in their work.
22. The **CAE** cannot give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the

quality of internal control within their area of responsibility. They should ensure that appropriate and adequate risk management processes, control systems, accounting records, financial processes and governance arrangements i.e. the control environment, exist without depending on internal audit activity to identify weaknesses.

23. The **CAE** is to be consulted about significant proposed changes in the internal control system and the implementation of new systems and shall make recommendations on the standards of control to be applied. This need not prejudice the audit objectivity when reviewing the systems later.

COMPETENCIES AND STANDARDS

24. Audits must be performed with proficiency and due professional care. Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities.
25. The **CAE** holds a relevant professional accountancy/audit qualification and is suitably experienced. In addition, the **CAE** must maintain a team of staff who are properly trained to fulfil all their responsibilities and continue to enhance their knowledge, skills and competencies through continuing professional development.
26. Internal auditors are expected to:
- exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity;
 - apply confidentiality as required by law and best practice and
 - obtain and record sufficient audit evidence to support their findings and recommendations.

INTERNAL AUDIT PLANNING

27. The **CAE** produces the Council's annual risk-based audit plan, in consultation with the Section 151 Officer, to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources. The plan considers the Accounts and Audit (England) Regulations 2015, the management of risk, previous internal/external audit work, discussions with the Head of the Paid Service and senior managers, external networking intelligence, local and national risks, comments from the Audit Committee and any requirements of the External Auditor.
28. The Plan is subject to regular reviews and revisions as required to reflect changes to the risk environment and these changes are approved when significant. The Plan includes an element of contingency to allow Internal Audit to be responsive to changing risks

and requests for assistance from managers. It is the responsibility of the Section 151 Officer to ensure that the budget¹⁰ and resources allocated to Internal Audit are sufficient to ensure delivery of the plan and to report any concerns to the Audit Committee. The Audit Committee agree the annual risk based plan and any significant change to the plan during the year.

29. The Internal Audit team has retained a suitable mix of skills in finance, information technology, contract management, governance, establishments, systems, counter fraud, investigations and project management. To help supplement the internal resources and respond to demand during periods of change, additional audit time will be purchased from external contractors to deliver the plan.

NATURE OF WORK

30. The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

Governance

31. The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:
- promoting appropriate ethics and values within the organisation;
 - ensuring effective organisational performance management and accountability;
 - communicating risk and control information to appropriate areas of the organisation;
 - coordinating the activities of, and communicating information among, the audit committee, external and internal auditors and management;
 - the internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.

Risk Management

32. Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:
- organisational objectives support and align with the organisation's mission;
 - significant risks are identified and assessed;
 - appropriate risk responses are selected that align risks and their mitigation with the organisation's risk appetite;

¹⁰ The budget, including the remuneration, the Audit Service Manager is approved by Council.

- relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.
33. The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.
34. When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by managing risks.

Control

35. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance operations and information systems regarding the:
- achievement of the organisation's strategic objectives;
 - reliability and integrity of financial and operational information;
 - effectiveness and efficiency of operations and programmes;
 - safeguarding of assets; and
 - compliance with laws, regulations, policies, procedures and contracts.
36. In accordance with the PSIAS, most individual audits are undertaken using the risk-based systems audit approach, the key elements of which are listed below:
- identify and record the objectives, risks and controls;
 - establish the extent to which the objectives of the system are consistent with higher level corporate objectives;
 - evaluate the controls in principle to decide if they are appropriate and can be reasonably relied upon to achieve their purpose;
 - identify any instances of over and under control;
 - determine an appropriate strategy to test the effectiveness of controls, i.e. through compliance and/or substantive testing;
 - arrive at conclusions and produce a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.
37. To reduce duplication of effort Internal Audit will work in partnership to identify and place reliance on assurance work completed elsewhere in the Council. A computerised audit management system, supported by working papers, is used to streamline working practices. This reflects best professional practice.

INTERNAL AUDIT REPORTING

38. Internal Audit findings are reported in writing to appropriate managers against four assurance opinions (good, reasonable, limited and unsatisfactory). The **CAE** sets standards for reporting, review and approval before issue. The reports:

- prompt management action to implement recommendations for change, leading to improvement in performance and control;
- provide a formal record of points arising from the assignment, and where appropriate, of agreements reached with management;
- state scope, purpose and extent of conclusions;
- make recommendations relative to the risk which are appropriate, relevant and flow from the conclusions;
- acknowledge the action taken or proposed by management; and
- ensure that appropriate risk-based arrangements are made to determine whether action has been taken on internal audit recommendations, or that management has understood and assumed the risk of not acting.

39. The **CAE** reports regularly to the Section 151 Officer and at least three times a year to the Council's Audit Committee on progress against the annual audit plan and other issues of concern in respect of the control environment and emerging issues. The Audit Committee meet at least four times per year and they have a detailed work plan agreed for the year. In addition, the **CAE** produces an annual report to the Section 151 Officer and Audit Committee on the main issues raised by Internal Audit during the year and on the performance of Internal Audit. The annual report:

- includes an opinion on the overall adequacy and effectiveness of the Council's control environment (definitions in Annex A);
- discloses any qualifications to that opinion, together with the reasons for the qualification;
- presents a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- draws attention to any issues the **CAE** considers particularly relevant to the preparation of the Annual Governance Statement;
- compares the work undertaken with the work as planned and summarises the performance of the Internal Audit function against its performance measures and criteria;
- comments on compliance with these standards and communicates the results of the Internal Audit quality assurance and improvement programme.

QUALITY ASSURANCE

40. To ensure Internal Audit independence, the audit of any areas managed by the **CAE** will be carried out by an appropriate auditor and reviewed by an audit senior. The **CAE** will take no part in the audit or review process other than in the role of auditee. The final report will be issued to the Section 151 Officer as the **CAE's** line manager.
41. The **CAE** will develop and maintain a quality assurance and improvement programme covering all aspects of the internal audit activity and conforming to the relevant standards. This will include an on-going internal assessment covering adequate supervision of work performed, an internal review process and the retention of appropriate evidence. In addition, at least once every five years, an external assessment of Internal Audit by an appropriate person¹¹ external to the Council will be conducted. The timing, form of the assessment, qualifications of any external assessor, results and any improvement plans will be agreed with and reported to the Audit Committee in the annual report¹². Significant deviations will be considered for inclusion in the Annual Governance Statement.
42. The **CAE** develops and maintains a set of performance measures which are reported to the Section 151 Officer and Audit Committee.

FRAUD AND CORRUPTION

43. The Internal Audit Service is not responsible within services for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management.
44. The **CAE** should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications when giving an opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.

RIGHTS OF ACCESS

45. Under the Council's Financial Rules, internal auditors have the authority to:
- access at reasonable times, premises or land used by the Council;
 - access all assets, records, documents, correspondence and control systems except for those from which they are statutorily prevented;
 - require and receive any information and explanation considered necessary concerning any matter under consideration;

¹¹ Qualified independent assessor or assessment team

¹² For both internal and external reviews

- require any employee of the Council to account for cash, stores or any other Council property under his/her control and produce supporting evidence and assets for inspection if required;
- access records belonging to third parties, such as contractors, when required.

Reviewed November 2022

Public Sector Internal Audit Standards

The definition of Internal Auditing within the Standards is: Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Overall Assurance Opinion

Overall Assurance Opinion is provided on the organisation's risk management, governance and internal control processes to confirm that they are operating effectively. Opinions consider the expectations of senior managers, the board and other stakeholders and are supported by appropriate, reliable and useful information.

Overall Assurance Opinion	Indication of when this type of opinion may be given**	Traditional Opinion
Substantial	Limited number of medium risk related weaknesses identified but generally only low risk rated weaknesses have been found in individual assignments/ observations. No one area is classified as high or/ critical risk	Unqualified
Reasonable	Medium risk rated weakness identified in individual assignments/ observations that are not significant in aggregate to the system of governance, risk management or control. High risk rated weaknesses identified in individual assignments/ observations that are isolated to specific systems, processes and services None of the individual assignment reports/ observations have an overall high or critical risk	
Limited	Medium risk related weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected and/or	

Overall Assurance Opinion	Indication of when this type of opinion may be given**	Traditional Opinion
	<p>High risk rated weaknesses identified in individual assignments/ observations that are significant in aggregate but discrete parts of the system of internal control remain unaffected, and/or</p> <p>Critical risk rated weaknesses identified in individual assignments/ observations that are not widespread to the system of internal control, and</p> <p>More than a minority of the individual assignment reports/ observations may have an overall report classification or rating of high or critical risk</p>	
No Assurance	<p>High risk rated weaknesses identified in individual assignments/ observations that in aggregate are widespread to the system of internal control and/or</p> <p>Critical risk rated weaknesses identified in individual assignments/ observations that are widespread to the system of internal control or</p> <p>More than a minority of the individual assignment reports/ observations have an overall report classification of either high or critical risk</p> <p>Lack of management action to deliver improvements, may be identified by repeating recommendations of a high or critical risk</p>	Qualified
Disclaimer	<p>An opinion cannot be issued because insufficient internal audit work has been completed due to either:</p> <ul style="list-style-type: none"> -restrictions in the agreed audit programme, which means that audit work would not provide sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control, or - unable to complete enough reviews and gather sufficient evidence to conclude on 	Qualified

Overall Assurance Opinion	Indication of when this type of opinion may be given**	Traditional Opinion
	the adequacy of arrangements for governance, risk management and control	

Audit assurance opinions for engagements are awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place and consideration of the engagement results and their significance.

Audit assurance Opinions for engagements are graded as follows

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically 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.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Audit recommendation categories are an indicator of the effectiveness of the Council's internal control environment and are rated according to their priority

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

Consultancy Activity

Audit can, where resources and skills exist, provide independent and objective consultancy services, which apply the professional skills of Internal Audit through a systematic and disciplined approach, and may contribute to the opinion that Internal Audit provides on the control environment.

Consultancy comprises the range of services, which may go beyond Internal Audit's usual assurance roles, provided to assist management in meeting the objectives of the Council.

The nature and scope of the work may include:

- Facilitation;
- Process and/or control design;
- Training;
- Advisory services and
- Risk assessment support.

As with any piece of work, it is important to clearly define the terms of reference for the involvement of Audit in any consultancy activities, so that both the client and the auditor know what is expected from the involvement of Audit.

Any auditor asked to provide consultancy services or undertake a consultancy-style activity should consult their manager or the **CAE** before agreeing to provide such services. For any significant additional consulting services not already included in the plan, approval will be sought from the Audit Committee prior to accepting the engagement'.

Code of Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics within the Standards. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

There are four principles in the code of ethics:

1. **Integrity** – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
2. **Objectivity** – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

3. **Confidentiality** – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
4. **Competency** – Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.¹³

¹³ Information can be found at www.public-standards.gov.uk

Annex B**Glossary of Terms for External Clients where they are different to the Council*****Cornovii Development Ltd***

<u>Senior Management</u>	<u>Managing Director</u>
<u>Board</u>	<u>Cornovii Development Board</u>

Oswestry Town Council

Senior Management	Town Clerk
Board	Town Council

Shropshire County Pension Fund

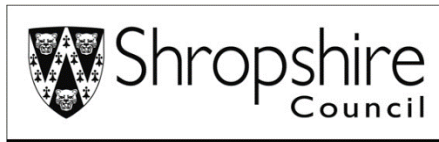
Senior Management	Pension Fund Administrator
Board	Pensions Committee

STaRH

Senior Management	Managing Director and direct reports
Board	Finance, Audit and Risk Sub Committee

West Mercia Energy

Senior Management	Treasurer Managing Director
Board	Joint Committee



<u>Committee and Date</u>	<u>Item</u>
Audit Committee 24 th November 2022 10:00am	<u>Public</u>

INTERNAL AUDIT PERFORMANCE 2022/23

Responsible Officer Katie Williams

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Telephone: 07584 217067

1 Synopsis

This report summarises Internal Audit’s 2022/23 work to date. Delivery is impacted due to recruitment and external contractors being delayed in starting their work. Lower assurances from reviews are highlighted, providing members with an opportunity to challenge.

2. Executive Summary

- 2.1 This report provides members with an update of work undertaken by Internal Audit in the two months since the September Audit Committee. 42% percent of the revised plan has been completed (**see Appendix A, Table 1**), which is below previous delivery records (56% 2021/22; 62% 2020/21).

- 2.2 Six reasonable, one limited and two unsatisfactory assurance opinions have been issued. The 9 final reports contained 125 recommendations, one of which was fundamental.

- 2.3 This report proposes minor revisions in the coverage of planned activity for Shropshire Council with an increase of 2 days from 1,567 days, as reported in September 2022, to 1,569 days. Changes to the planned activity reflect adjustments considering both risks and available resources. Delivery is lower than anticipated due to resignations earlier in the year and the retirement of the Head of Audit. External contractors have also been delayed starting their work.

- 2.4 There has been an increase in training and developing time as auditors new to the role and in trainee positions have required additional support. Revisions to the plan are targeted to provide enough activity to inform an end of year opinion.

- 2.5 Internal Audit continues to add value to the Council in its delivery of bespoke pieces of work, including sharing best practice and providing advice on system developments.

3 Decisions

The Committee is asked to consider and endorse, with appropriate comment;

- 3.1 The performance against the 2022/23 Audit Plan.
- 3.2 Identify any action(s) it wishes to take in response to any low assurance levels and fundamental recommendations, brought to Members' attention, especially where they are repeated. (**Paragraph 8.6 and Appendix A, Table 3**).

REPORT

4 Risk Assessment and Opportunities Appraisal

- 4.1 Delivery of a risk-based audit Internal Audit Plan is essential to ensuring the probity and soundness of the Council's control, financial, risk management systems and governance procedures. Areas to be audited are identified following a risk assessment process which considers the Council's risk register information and involves discussions with managers concerning their key risks. These are refreshed throughout the period of the plan as the environment (delivery risks) changes. In delivering the plan, the adequacy of control environments is examined, evaluated and reported on independently and objectively by Internal Audit. This contributes to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying potential weaknesses and areas for improvement, and engaging with management to address these in respect of current systems and during system design. Without this, failure to maintain robust internal control, risk and governance procedures creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss and reputational damage.
- 4.2 Provision of the Internal Audit Annual Plan satisfies the Accounts and Audit Regulations 2015, part 2, section 5(1) in relation to internal audit. These state that:
- 'A relevant authority 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'.
- 4.3 'Proper practices' can be demonstrated through compliance with the Public Sector Internal Audit Standards (PSIAS). Vacancy management and recruitment, whilst an ongoing risk, is being managed proactively and activities undertaken to mitigate and manage this going forward.

4.4 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and there are no direct environmental or equalities consequences of this proposal.

5 Financial Implications

5.1 The Internal Audit plan is delivered within approved budgets. The work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

6 Climate Change Appraisal

6.1 This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7 Background

7.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews appraises and reports on the efficiency, effectiveness and economy of financial, governance, risk and other management controls. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.

7.2 The 2022/23 Internal Audit Plan was presented to, and approved by, members at the 22nd, February 2022 Audit Committee, with adjustments being approved in September. This report provides an update on progress made against the plan up to 30th October 2022 and includes revisions to the plan.

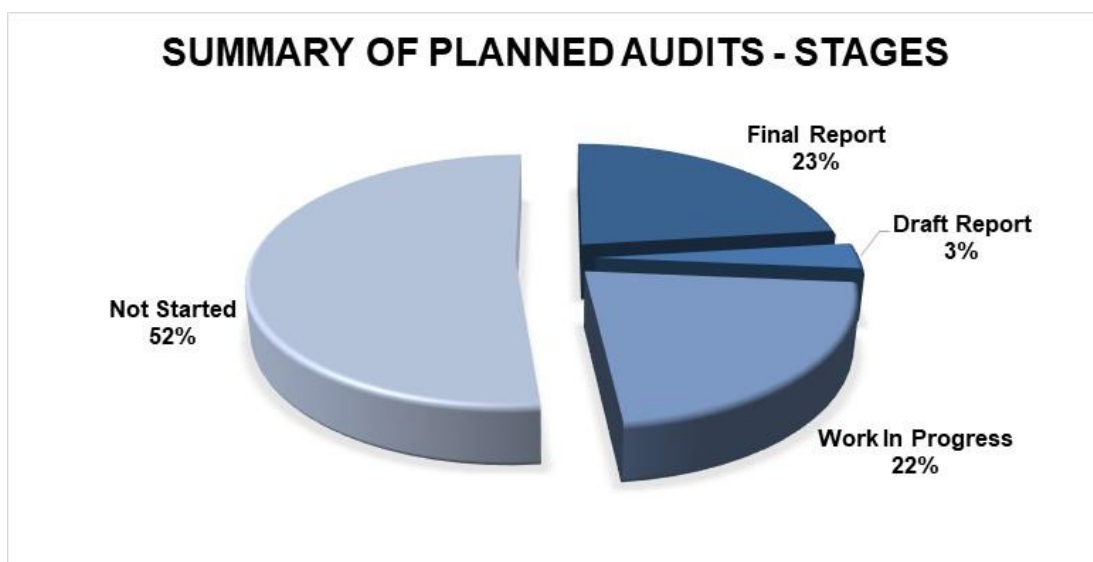
8 Performance against the plan 2022/23

8.1 Revisions to the 2022/23 plan provide for a total of 1,569 days. Following the retirement of the Head of Audit a Head of Governance post will be created which will encompass the previous Head of Audit role, this is yet to be recruited to. As an interim arrangement two of the Principal Auditors have been appointed on a job share basis to cover the Head of Audit role. This has impacted delivery in the short term, however, it is anticipated that this will be mitigated through the recent appointment of two new Principal Auditors. There has been an increase in training and developing time as Auditors new to the role and in trainee positions have required additional support. Revisions to the plan are targeted to provide enough activity to inform an end of year opinion.

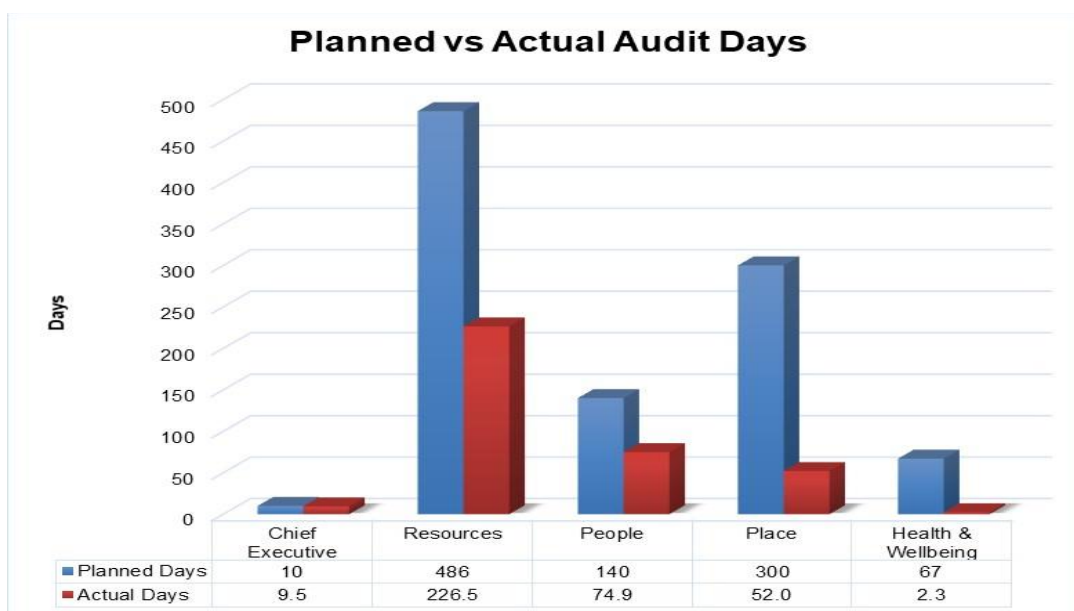
8.2 External Contractors have been delayed in starting their work and their work is not yet reflected in the audit days delivered. Assurances have been received that planned work will be completed by year end.

8.3 As a result, performance to date is slightly below previous delivery records at 42% (56% 2021/22; 62% 2020/21) but overall, it is hoped that the team is on track to deliver a minimum of 90% of the revised annual plan by the year end.

8.4 In total, nine final reports have been issued in the period from 8th August to 30th October 2022, the year to date position is show at **Appendix A, Table 2**. All are listed with their assurance rating and broken down by service area at **paragraph 8.6**. The following chart shows performance against the approved Internal Audit Plan for 2022/23:



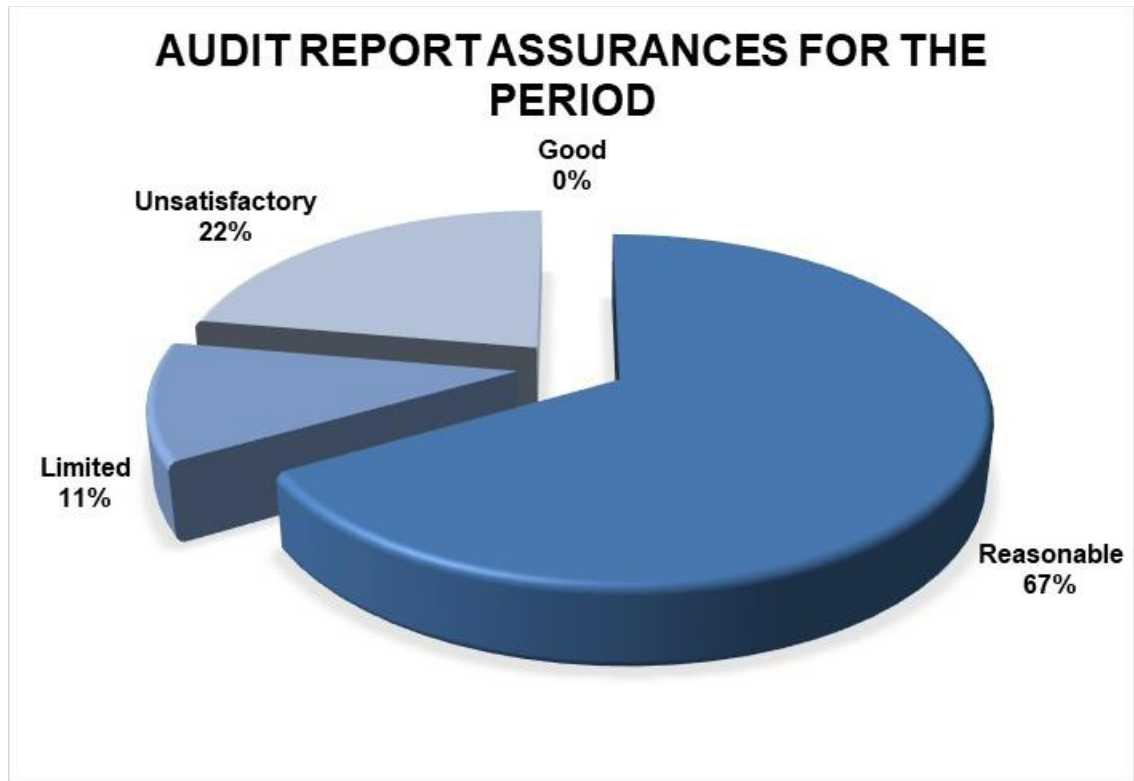
8.5 Audits have been completed over several service areas as planned:



8.6 The following audits have been completed in the period:

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Chief Executive								
Corporate Governance		1						
	0	1	0	0	0	0	0	0
People - Adults								
Individual Service Funds (ISFs)		1			1	1	1	
Other, including added value and briefing notes						1	1	
	0	1	0	0	1	2	2	0
People - Children								
Supporting Families Grant Claim - September Claim		1				1		
	0	1	0	0	0	1	0	0
Place								
Acton Scott Working Farm Museum				1		13	13	
Much Wenlock Leisure Centre				1		21	22	
	0	0	0	2	0	34	35	0
Resources - Finance and Technology								
Encryption		1				2	2	
ResourceLink Database Administration		1				4	1	
SNOW - IT Asset Management		1				2	3	
Purchase Ledger 2021/22			1			9	27	
	0	3	1	0	0	17	33	0
Total	0	6	1	2	1	54	70	0
	0%	67%	11%	22%	1%	43%	56%	0%

8.7 The assurance levels awarded to each completed audit area appear in the graph below:



8.8 The overall spread of recommendations agreed with management following each audit review are as follows:



8.9 Up to the 30th October 2022, 12 reports have been issued providing good or reasonable assurances and accounting for 57 % of the opinions delivered. This represents a decrease in the higher levels of assurance for this period, compared to the previous year outturn of 64%. This is offset by a corresponding increase in limited and unsatisfactory assurances, currently 43% compared to the previous year outturn of 36%. There is no strong overall pattern of areas attracting lower assurances ratings. There are a number of audit areas highlighted below (**paragraphs 8.10 to 8.12**) where low assurance ratings have been repeated.

8.10 Acton Scott is unsatisfactory for a second time. Members may wish to consider receiving a management update at a future meeting.

Question 1: What do Members want to do?

8.11 Much Wenlock Leisure Centre is unsatisfactory for a third time since 2016. Members may wish to consider receiving a management update at a future meeting.

Question 2: What do Members want to do?

8.12 Purchase Ledger is limited for the third time since 2018. Members may wish to consider receiving a management update at a future meeting.

Question 3: What do Members want to do?

8.13 Details of control objectives evaluated and not found to be in place as part of the planned audit reviews that resulted in limited and unsatisfactory assurances, appear in **Appendix A, Table 3**. The appendix also includes descriptions of the levels of assurance used in assessing the control environment and the classification of recommendations, **Tables 4 and 5** and provides a glossary of common terms, **Table 6**.

8.14 Three draft reports, awaiting management responses, will be included in the next performance report. Work has also been completed for external clients in addition to the drafting and auditing of financial statements for several honorary funds and the certification of grant claims.

8.15 A total of 125 recommendations have been made in the 9 final audit reports issued during this period; these are broken down by service area at **paragraph 8.6**, the year-to-date position is shown at **Appendix A, Table 2**. One fundamental recommendation has been identified which is detailed below:

Individual Service Funds

Recommendation - The Invest to Save proposal submitted in June 2021 should be revisited to ensure that it reflects the current situation and re-submitted for consideration. The scope of the Invest to Save should be

expanded to include consideration of the following to allow the full financial impact to be clear:

- do nothing;
- writing off potential reclaim values based on time elapsed;
- seeking temporary staff to focus on clearing back log;
- a change in process to increase efficiency which may lead to an increased risk or error or fraud.

(Updated from recommendations made and agreed in 2016/17).

Risk - The completion of reconciliations and subsequent reclaim of overpayments may place an additional unmanageable burden on the care sector leading to financial collapse. It is acknowledged that the providers should not spend the overpayment but where reconciliations are not completed in a timely manner the risk of being unable to recover the funds increases. It is unfeasible for the current backlog to be cleared without a change to process or resources. Continuation of the status quo will lead to the backlog increasing and potentially to staff losing motivation or making errors whilst under pressure.

Management Response - the Invest to Save proposal submitted in June 2021 will be revisited to ensure that it reflects the current situation and re-submitted for consideration.

Agreed Implementation Date - Prepare & Submit Proposal target date February 2023

Question 4: Do Members wish to receive any updates from managers on any of the remaining low assurances reported in para. 8.4 or the fundamental recommendation?

8.16 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 7 sets out the approach adopted to following up recommendations** highlighting Audit Committee's involvement.

8.17 The following demonstrates areas where Audit have added value with unplanned, project or advisory work, not included in the original plan located at **Appendix A, Table 1**.

- **Payroll Data Analytics** – Analysis of payroll data was undertaken to identify data quality improvements. This information was shared with the HR/Payroll Manager to enable the HR Business Partners to support those not using the system correctly.
- **Climate Change Policy** – Advice was provided in relation to the compliance with Climate Change Policy and how this is embedded across the Council.
- **Financial Stability** – Financial and suitability checks were completed in relation to the financial stability of a social care provider.
- **National Fraud Initiative** (NFI) – The team co-ordinated the collation and submission of data for the 2022/23 NFI process.

Direction of travel

8.18 As noted in paragraph 8.9 above, there is no overall pattern of audit areas attracting lower assurance ratings. In the interim, members are advised to pay initial attention to unsatisfactory assurance areas or fundamental recommendations for updates from management as to improved controls and management of risks.

Performance measures

8.19 All Internal Audit work has been completed in accordance with agreed plans and the outcomes of final reports have been reported to the Audit Committee.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Internal Audit Performance and Revised Annual Audit Plan 2022/23 – Audit Committee 15th September 2022

Draft Internal Audit Risk Based Plan 2022/23 - Audit Committee 22nd February 2022

Public Sector Internal Audit Standards (PSIAS)

Audit Management system

Accounts and Audit Regulations 2015, 2018 and Accounts and Audit

(Coronavirus) (Amendment) Regulations 2020, Amendment Regulations 2022

Cabinet Member (Portfolio Holder)

Lezley Picton, Leader of the Council and Brian Williams, Chairman of the Audit Committee

Local Member: All

Appendices

Appendix A

Table 1: Summary of actual audit days delivered against plan 1st April to 30th October 2022

Table 2: Final audit report assurance opinions and recommendation summary 1st April to 30th October 2022

Table 3: Unsatisfactory and limited assurance opinions in the period 8th August to 30th October 2022

Table 4: Audit assurance opinions

Table 5: Audit recommendation categories

Table 6: Glossary of terms

Table 7: Recommendation follow up process (risk based)

Appendix B - Audit plan by service 1st April to 30th October 2022

APPENDIX A

Table 1: Summary of actual audit days delivered and revisions to the audit plan in the period from 1st April to 30th October 2022

	Original Plan	Revised Plan	30 th October 2022 Actual	% of Original Complete	% of Revised Complete
Chief Executive	14	10	9.5	68%	95%
Health and Wellbeing	10	67	2.3	23%	3%
People	65	140	74.9	115%	54%
Adult Services	15	55	36.2	259%	66%
Children's Services	22	47	9.6	44%	20%
Education and Achievement	28	38	29.1	104%	77%
Place	129	300	52.0	40%	17%
Resources	318	486	226.5	71%	47%
Finance and Technology	202	312	151.2	75%	48%
Legal and Governance	49	49	28.5	58%	58%
Workforce and Improvement	67	125	46.8	70%	37%
S151 Planned Audit	536	1,003	365.2	68%	36%
Contingencies and other chargeable work	682	355	188.8	28%	53%
Total S151 Audit	1,218	1,358	554.0	45%	41%
External Clients	211	211	108	51%	51%
Total	1,429	1,569	662	46%	42%

Please note that a full breakdown of days by service area is shown at **Appendix B**

Table 2: Final audit report assurance opinions and recommendation summary - 1st April to 30th October 2022

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Chief Executive								
Corporate Governance		1						
	0	1	0	0	0	0	0	0
People - Adults								
Individual Service Funds (ISFs)		1			1	1	1	
Other, including added value and briefing notes						1	1	
	0	1	0	0	1	2	2	0
People - Children								
Supporting Families Grant - June Claim	1							
Supporting Families Grant - September Claim		1				1		
Schools Themed Audits 2021/22		1				7	28	
	1	2	0	0	0	8	28	0
Place								
Gladstone Application 2021/22		1				6	5	
WSP Contract Management 2021/22			1			2	9	
Acton Scott Working Farm Museum				1		13	13	
Much Wenlock Leisure Centre				1		21	22	
	0	1	1	2	0	42	49	0
Resources - Finance and Technology								
ERP Development and Administration	1						1	
Sales Ledger - Periodic Income 2021/22		1				4	2	
Sales Ledger 2021/22		1				3	4	
Encryption		1				2	2	
ResourceLink Database Administration		1				4	1	
SNOW - IT Asset Management		1				2	3	
Debt Recovery 2021/22			1			5	4	

Audit Name	Audit Opinion				Recommendations				
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice	
General Ledger 2021/22			1			7	11		
Telecommunications, Contracts and Procurement Follow up 2021/22			1			5	3		
Third Party Contractor Access Controls 2021/22			1			2	4		
Purchase Ledger 2021/22			1			9	27		
Other, including added value and briefing notes									
	1	5	5	0	0	43	62	0	
Resources - Workforce and Improvement									
Payroll 2021/22				1		1	19	9	
	0	0	0	1		1	19	9	0
Total	2	10	6	3		2	114	150	0
	9%	48%	29%	14%		1%	43%	56%	0%

Table 3: Unsatisfactory and limited assurance opinions issued in the period from 8th August to 30th October 2022¹

Unsatisfactory assurance

Place – Acton Scott Working Farm Museum (Unsatisfactory 2019/20)

- The recommendations made in previous audit have been implemented.
- Budget income is identified, collected and banked in accordance with procedures.
- Purchases are appropriate, authorised, recorded correctly and comply with Financial Regulations and Contract Procedure Rules.
- The imprest account is operated in accordance with Imprest Procedures and all monies can be accounted for.
- Payment is made to bona fide employees only for the work performed through the Payroll system.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.
- Regular budget monitoring is performed and any significant variations are investigated.
- Stocks held are appropriate, controlled and can be accounted for.
- Assets held are recorded, can be accounted for and are safeguarded against loss.

¹ Listed are the management controls that were reviewed and found not to be in place and/or operating satisfactorily and therefore positive assurance could not be provided for them.

- Appropriate procedures are in place for the security of staff and material assets.
- The Risk Register is updated and reviewed on a regular basis.

Place – Much Wenlock Leisure Centre (Unsatisfactory 2019/20, Limited 2017/18 and Unsatisfactory 2016/17)

- Previous audit recommendations have been implemented.
- Budget income is identified, collected and banked in accordance with procedures.
- Purchases are appropriate, authorised, recorded correctly and comply with Financial Regulations and Contract Procedure Rules.
- The imprest account is operated in accordance with Imprest Procedures and all monies can be accounted for.
- Payment is made to bona fide employees only for the work performed through the Payroll system.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.
- Relevant staff have Disclosure Barring Service (DBS) clearance.
- Regular budget monitoring is performed and any significant variations are investigated.
- Stocks held are appropriate, controlled and can be accounted for.
- Assets held are recorded, can be accounted for and are safeguarded against loss.
- Appropriate procedures are in place for the security of staff and material assets.

Limited assurance

Resources – Purchase Ledger (Limited 2020/21, 2019/20 and 2018/19)

- The recommendations made in the previous audit have been implemented.
- Orders are raised in accordance with Financial Rules.
- Goods received procedures are defined and are operated effectively.
- Prepayment checks ensure that payments are made only to bona fide creditors on properly authorised invoices.
- Appropriate input controls are in place and are operated effectively.
- Payments made are accurate, complete, have not been previously paid and are made at the optimal time.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.

Table 4: Audit assurance opinions: awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
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Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically 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.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Table 5: Audit recommendation categories: an indicator of the effectiveness of the Council’s internal control environment and are rated according to their priority

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

Table 6: Glossary of terms

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Head of Internal Audit Annual Opinion

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of several individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

Table 7: Recommendation follow up process (risk based)

When recommendations are agreed the responsibility for implementation rests with management. There are four categories of recommendation: fundamental, significant, requires attention and best practice and there are four assurance levels given to audits: unsatisfactory, limited, reasonable and good.

The process for *fundamental recommendations* will continue to be progressed within the agreed time frame with the lead Executive Director being asked to confirm implementation. Audit will conduct testing, either specifically on the recommendation or as part of a re-audit of the whole system. Please note that all agreed fundamental recommendations will continue to be reported to Audit Committee. Fundamental recommendations not implemented after the agreed date, plus one revision to that date where required, will in discussion with the Section 151 Officer be reported to Audit Committee for consideration.

AUDIT PLAN BY SERVICE –PERFORMANCE REPORT FROM 1st APRIL to 30th OCTOBER 2022

	Original Plan Days	August Revision	November Revision	Revised Plan Days	30th October 2022 Actual	% of Original Complete	% of Revised Complete
CHIEF EXECUTIVE							
Governance	14	0	-4	10	9.5	68%	95%
CHIEF EXECUTIVE	14	0	-4	10	9.5	68%	95%
RESOURCES							
Finance and Technology							
Finance Transactions	30	54	4	88	59.4	198%	68%
Finance and S151 Officer	22	2	0	24	19.0	86%	79%
Financial Management	30	11	0	41	24.5	82%	60%
ICT	104	18	0	122	47.1	45%	39%
Information Governance	8	0	0	8	0.3	4%	4%
Revenues and Benefits	8	20	1	29	0.9	11%	3%
	202	105	5	312	151.2	75%	48%
Workforce and Improvement							
Risk Management and Insurance	10	10	0	20	1.4	14%	7%
Human Resources	57	18	30	105	45.4	80%	43%
	67	28	30	125	46.8	70%	37%
Legal and Governance							
Procurement	33	0	0	33	28.3	86%	86%
Information Governance	16	0	0	16	0.2	1%	1%
	49	0	0	49	28.5	58%	58%
RESOURCES	318	133	35	486	226.5	71%	47%

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	Original Plan Days	August Revision	November Revision	Revised Plan Days	30th October 2022 Actual	% of Original Complete	% of Revised Complete
PEOPLE							
Joint Commissioning							
Community and Partnerships	15	0	0	15	17.0	113%	113%
Business Support	0	20	0	20	19.2	0%	96%
	15	20	0	35	36.2	241%	103%
Adult Social Care							
Long Term Support	0	20	0	20	0.0	0%	0%
	0	20	0	20	0.0	0%	0%
Education and Achievement							
Education and Achievement	8	0	0	8	4.7	59%	59%
Primary/Special Schools	20	0	0	20	21.2	106%	106%
Business Support	0	5	5	10	3.2	0%	32%
	28	5	5	38	29.1	104%	77%
Children's Social Care and Safeguarding							
Safeguarding	14	0	0	14	9.5	68%	68%
Children's Placement Services & Joint Adoption	8	25	0	33	0.1	1%	0%
	22	25	0	47	9.6	44%	20%
PEOPLE	65	70	5	140	74.9	115%	54%

PLACE	Original Plan Days	August Revision	November Revision	Revised Plan Days	30th October 2022 Actual	% of Original Complete	% of Revised Complete
Business Enterprise and Commercial Services							
Property and Development	0	31	0	31	1.0	0%	3%
Development Management	0	15	0	15	0.0	0%	0%
	0	46	0	46	1.0	0%	2%
Economy and Place							
Business Growth and Investment	10	15	0	25	3.0	30%	12%
Environment and Sustainability	5	0	0	5	0.3	6%	6%
Planning and Corporate Policy	0	10	0	10	0.0	0%	0%
	15	25	0	40	3.3	22%	8%
Infrastructure and Communities							
Highways	26	35	1	62	13.1	50%	21%
Public Transport	0	15	10	25	2.4	0%	10%
Library Services	15	0	0	15	0.0	0%	0%
	41	50	11	102	15.5	38%	15%
Culture and Heritage							
Theatre Severn and OMH	15	0	0	15	0.6	4%	4%
Leisure Services	33	3	0	36	13.2	40%	37%
Outdoor Recreation	10	0	0	10	10.8	108%	108%
	58	3	0	61	24.6	42%	40%

	Original Plan Days	August Revision	November Revision	Revised Plan Days	30th October 2022 Actual	% of Original Complete	% of Revised Complete
Homes and Communities							
Superintendent Registrar Business and Consumer Protection	15	0	0	15	0.0	0%	0%
	0	30	6	36	7.6	0%	21%
	15	30	6	51	7.6	51%	15%
PLACE	129	154	17	300	52.0	40%	17%
HEALTH AND WELLBEING							
Public Health							
Public Health	10	10	2	22	1.6	16%	7%
Ecology and Pest Control	0	10	5	15	0.6	0%	4%
Community Safety	0	15	0	15	0.0	0%	0%
Environmental Protection	0	15	0	15	0.1	0%	1%
	10	50	7	67	2.3	23%	3%
HEALTH AND WELLBEING	10	50	7	67	2.3	23%	3%
Total Shropshire Council Planned Work							
	536	407	60	1,003	365.2	68%	36%
CONTINGENCIES							
Advisory Contingency	50	0	0	50	35.4	71%	71%
Fraud Contingency	50	0	0	50	38.8	78%	78%
Unplanned Audit Contingency	383	-269	-56	58	0.0	0%	0%
Other non audit Chargeable Work	199	0	-2	197	114.6	58%	58%
CONTINGENCIES	682	-269	-58	355	188.8	28%	53%

	Original Plan Days	August Revision	November Revision	Revised Plan Days	30th October 2022 Actual	% of Original Complete	% of Revised Complete
Total for Shropshire	1,218	138	2	1,358	554.0	45%	41%
EXTERNAL CLIENTS	211	0	0	211	108.0	51%	51%
Total Chargeable	1,429	138	2	1,569	662.0	46%	42%



<u>Committee and Date</u>	<u>Item</u>
Audit Committee 24 th November 2022 10:00 am	 <u>Public</u>

EXTERNAL AUDIT PUBLIC SECTOR AUDIT APPOINTMENTS

Responsible Officer James Walton

e-mail: James.walton@shropshire.gov.uk Tel: 01743 258915

1. Synopsis

This report updates Audit Committee on the appointment of external auditors for Shropshire Council from 2023/24 for a period of five years.

2. Executive Summary

- 2.1. Since 2016 Shropshire Council has formally opted-in to the Public Sector Audit Appointments Ltd (PSAA) for the appointment of External Audit organisations for Local Government.
- 2.2. From the 2023/24 Financial Year, the PSAA will, under regulation 13 of the Appointing Persons Regulations, appoint an external auditor to each opted-in body having consulted on their approach.
- 2.3. On 3 October 2022, PSAA wrote to Shropshire Council to confirm that Grant Thornton had been successful in winning a contract in the procurement and PSAA proposed appointing this firm as the auditor for Shropshire Council and Shropshire County Pension Fund for five years from 2023/24.
- 2.4. Consultation on the appointment closed at Midnight on Monday 14 November 2022 and the Section 151 Officer confirmed to the PSAA that he was satisfied with the appointment.
- 2.5. The PSAA plan to write to all local authorities by 31 December 2022 to confirm the Board’s final decision on the appointment of the auditor.

3. Recommendations

- 3.1. The Committee are asked to consider and endorse, with appropriate comment, the information provided on the national auditor appointment arrangements with PSAA Ltd, the Local Government Association National Sector Led Body.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including the requirement for the authority to consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that, where a relevant authority is a local authority operating executive arrangement, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority.
- 4.2. Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 4.3. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been applied in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.
- 4.4. The Secretary of State has enabled PSAA Ltd to be an appointing person for local auditors under a national scheme.
- 4.5. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

5. Financial Implications

- 5.1. The Council's annual external audit fees for the 2021/22 audit were £175,000.

- 5.2. Opting-in to a national Sector Led Body (SLB) provides maximum opportunity to limit the extent of any increases by entering into a large scale collective procurement arrangement and removes the costs of establishing an auditor panel. There is no fee for joining the sector led arrangements. The audit fees that opted-in bodies will be charged by the sector led body will cover the costs of appointing auditors.
- 5.3. The PSAA will consult formally on scale fees for 2023/24 in Autumn 2023 and will publish confirmed scale fees for 2023/24 for opted-in bodies on their website by 30 November 2023. As indicated in their recent press release which announced the procurement outcome the advice to bodies is to anticipate an increase of the order of 150% on the total fees for 2022/23 (so a £100k 2022/23 total audit fee (scale fee plus fee variations) could become £250k 2023/24 total audit fee - noting that the actual total fees will depend on the amount of work required.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaptation. Therefore, no effect to report.

7. Background

- 7.1. The Public Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.
- 7.2. The Council's current external auditor is Grant Thornton, this appointment having been made under a previous exercise having opted-in to the PSAA appointments process for the period 2018/19 to 2022/23.

8. Update on the national scheme

- 8.1. In developing appointment proposals the PSAA have considered information provided by both opted-in bodies and audit firms, and have had regard to and sought to balance a range of factors including:

- auditor independence, the most critical of all the factors;

- joint/shared working arrangements and information from bodies, prioritising those requests that are most relevant to the auditor’s responsibilities;
 - PSAA’s commitments to the firms under the audit contracts;
 - bodies’ main offices and firms’ geographical preferences;
 - the status of prior years’ audits; and
 - continuity of auditor where appropriate.
- 8.2. Further information on the auditor appointment process is available on the PSAA website. [auditor appointment process](#)
- 8.3. PSAA contracts for audit services from 2023/24 have several differences to those in place for the audits of 2018/19 to 2022/23. Key changes made in response to client feedback include payment terms linked to delivery stages of an audit and additional contract management measures within those permissible with the local audit context.
- 8.4. The new contract also includes new limits on supplier liabilities as follows:
- loss of or damage to property £2,000,000 per claim;
 - loss in relation to a failure to perform the services in accordance with the Contract or any other loss caused directly by any act or omission of the supplier £10,000,000 per claim; and
 - any loss incurred arising from non-compliance with the Data Protection Legislation £5,000,000 per claim.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Local Audit and Accountability Act 2014

CIPFA’s Auditor Panels

Audit Committee, June and November 2016: Audit appointments 201718

Council, July and December 2016: Changes to Arrangements for Appointment of External Auditors

Cabinet Member (Portfolio Holder)

Lezley Picton, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member N/A

Appendices

None

By virtue of paragraph(s) 2, 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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