

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

Date: 14 February 2024  
My Ref:  
Your Ref:

**Committee:**  
**Audit Committee**

**Date:** Thursday, 22 February 2024  
**Time:** 10.00 am  
**Venue:** Wilfred Owen 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](mailto: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)  
Nigel Lumby  
Brian Williams (Chairman)

Roger Evans  
Rosemary Dartnall

Independent Member: Jim Arnold

Your Committee Officer is:

**Michelle Dulson** Committee Officer

Tel: 01743 257719

Email: [michelle.dulson@shropshire.gov.uk](mailto: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 23 November 2023 (Pages 1 - 16)

The Minutes of the meeting held on the 23 November 2023 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 16 February 2023.

## 5 Member 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 16 February 2023.

## 6 Second line assurance: Treasury Strategy 2024/25

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

Contact: James Walton (01743) 258915

## 7 Governance Assurance: Draft Audit Committee work plan and future training requirements (Pages 17 - 42)

The report of the Head of Policy and Governance is attached.

Contact: Barry Hanson 07990 086409

## 8 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2023/24 (Pages 43 - 62)

The report of the Head of Policy and Governance is attached.

Contact: Barry Hanson 07990 086409

**9 Third line assurance: Report of the Audit Review of Risk Management**  
(Pages 63 - 66)

The report of the Internal Audit Manager is attached.  
Contact: Katie Williams 07584 217067

**10 Third line assurance: Internal Audit Plan 2024/25** (Pages 67 - 70)

The report of the Head of Policy and Governance is attached.  
Contact: Barry Hanson 07990 086409

**11 Third line of assurance: External Audit: Audit Findings Report 2022/23**

The report of the Engagement Lead is to follow.  
Contact: Grant Patterson (0121) 232 5296

**12 Date and Time of Next Meeting**

The next meeting of the Audit Committee will be held on the 27 June 2024 at 10:00am.

**13 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.

**14 Exempt minutes of the previous meeting held on the 23 November 2023**  
(Pages 71 - 74)

The exempt Minutes of the meeting held on the 23 November 2023 are attached for confirmation.  
Contact: Michelle Dulson 01743 257719

**15 First line assurance: Payroll Management Update (Exempted by categories 2, 3 and 7)** (Pages 75 - 78)

The report of the Assistant Director of Workforce is attached.  
Contact: Sam Williams (01743) 252817

**16 Third line assurance: North West Relief Road Audit (Exempted by categories 3 and 5)** (Pages 79 - 84)

The report of the Head of Policy and Governance is attached.

Contact: Barry Hanson 07990 086409

**17 First line assurance: North West Relief Road Management Update (Exempted by category 3) (Pages 85 - 92)**

The report of the Director for Place is attached.

Contact: Mark Barrow:

**18 Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 1, 2, 3 and 7) (Pages 93 - 96)**

The report of the Internal Audit Manager is attached.

Contact: Katie Williams 07584 217067



## Committee and Date

Audit Committee

22 February 2024

## **MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 NOVEMBER 2023 10.00 AM - 1.10 PM**

**Responsible Officer:** Michelle Dulson

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

### **Present**

Councillor Brian Williams (Chairman)

Councillors Simon Harris (Vice Chairman), Nigel Lumby and Roger Evans and Julia Buckley (Substitute for Councillor Rosemary Dartnall)

Independent Member: Jim Arnold (remote)

### **48 Apologies for Absence / Notification of Substitutes**

An apology was received from Councillor Rosemary Dartnall. Councillor Julia Buckley substituted for Councillor Dartnall.

### **49 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.

### **50 Minutes of the previous meeting held on the 28 September 2023**

#### **RESOLVED:**

That the Minutes of the meeting of the Audit Committee held on the 28 September 2023 be approved as a true record and signed by the Chairman.

#### Matters Arising

#### Paragraph 35 – Member Question

Referring to the Member Question raised by Councillor Vasmer in relation to the Northwest Relief Road, the Executive Director of Resources read a follow up statement that had been provided by the Executive Director of Place which stated that following the date of this question, the Government announced on 4 October that it would fully fund the development costs of the Northwest Relief Road, and that subsequent meetings and press statements by Ministers had confirmed this. The Executive Director of Place made it clear that that commitment related to the element of the entire project from the junction with the B4380 across to the A528. The Oxon Link Road was to be funded from a combination of Marches LEP Grant and

Community Infrastructure Levy/Capital Receipt released from the SUE West Development. Although the details of the above were being developed, it was anticipated that there would be no requirement for the Council capital borrowing and only very minimal financial risk to the Council in relation to the OLR development.

The Executive Director of Resources confirmed that he would ensure that Councillor Vasmer received a copy of the statement.

An update was requested in relation to the audit of the Northwest Relief Road. In response the Internal Audit Manager informed the meeting that the audit was still in progress and was at the draft stage so in line with their normal processes it would not come to the committee at a draft stage however once the management responses had been agreed it was anticipated that it would be reported back to the February 2024 Audit Committee meeting. She further explained that they had anticipated to have completed the field work and had hoped to have been in a position to bring the report back to this meeting however, given the delays from the service area in responding to the information they needed they had not been able to finalise the report in order to bring it back to the Audit Committee in time so it would have to be delivered to the February 2024 meeting.

#### **51 Public Questions**

There were no questions from members of the public.

#### **52 Member Questions**

There were no questions from members.

#### **53 Second line assurance: Risk Annual Report 2022/23 incorporating Strategic Risks Update**

The Committee received the report of the Risk and Business Continuity Manager - copy attached to the signed Minutes – which sets out the current strategic risk exposure following the June 2023 bi-annual review.

The Risk and Business Continuity Manager introduced and amplified her report. She informed the Committee that there were currently eight strategic risks (as detailed in the report), five of which were high risk, two were medium and the final one was yet to be scored as it was still in development. Two of the risks were subject to further analysis and review and were regarding the balanced budget and the extreme pressures on partners within the system impacting on Shropshire Council. She drew attention to those risks that had been archived (set out at paragraph 7.6 of the report) and confirmed that they had also been considered as part of the operational risk review that had just been finalised.

A query was raised as to whether the risks identified were generic to every local authority or whether they were specific to Shropshire Council. In response, the Risk and Business Continuity Manager confirmed that they were specific to Shropshire Council although the themes would be very similar to other Local Authorities.

Members felt there would have been more examples in the report of risk areas and that it would have covered more aspects, for example, a possible change in political leadership which was felt to be a risk to the authority. Another example was if savings were not attained whether this was incorporated in the balanced budget or not, as was mentioned in the External Audit report. There was also no mention of the Northwest Relief Road (NWRR).

The Executive Director of Resources (Section 151 Officer) gave an overview. The point being made was valid up to a point. The risk of change in political leadership was not in itself a risk. The question was however what that would lead to if, for example, it led to a lack of decision making then that could lead to a risk that the authority could not progress, but the actual change in political leadership in itself was not a risk. Other elements to consider were things like political uncertainty created through a general election as well as a local election, or things like a high turnover of members at a local election, for example, or a change in which particular parties worked together which could then lead to a risk around lack of decision making which would stifle the progress currently being made by the organisation. That was a risk that they were aware of, but the question was whether the risk fell below the risk appetite of the Council. The risks listed in the report were those that had fallen above the risk appetite.

Although there were risks around large scale projects, they sat within the project risks. So projects like the NWRR were listed in the project risk register and were considered but the question was whether those project risks became a strategic risk. Those risks that had been archived had fallen below the risk appetite. This did not mean that they had gone away but as they could not list all of them, they only listed those that were above the risk appetite. However, if the Committee felt that any of the archived risks should be reconsidered, they could be brought back for further discussion.

The Risk and Business Continuity Manager explained that as part of the strategic risk exposure they looked at risks that had the possibility of impacting all elements of how the Council operated. So part of reviewing the risk exposure was to consider any emerging risks that could impact across all the Council's operations. She confirmed that large scale projects such as the NWRR did have the possibility to have a very widespread impact but not on every area. These were however managed and monitored very closely and robustly to ensure they did not affect the strategic risk exposure.

A brief discussion ensued in relation to other risks not on the strategic risk register and a query was raised as to whether other local authorities included the change of political leadership as a strategic risk. Members were reassured that the project risks were being monitored and it was felt that this should be more widely known. It was felt that the NWRR ought to have been on the strategic risk register as the gap funding had not been identified until the previous month. It was also felt that the risk of large-scale contracts had been missed off the strategic risk register however they have been assured that the transformation team would be looking at these to check for value for money etc.

The Executive Director of Resources (Section 151 Officer) responded and took the point that the recent by-elections had raised the profile of the risk of a possible change in political leadership and it would therefore be looked at as part of the next

assessment. In relation to the project risks, it was confirmed that these were discussed at Audit Committee, but he accepted that some Members would not be aware of that. Turning to the NWRR, the risks around this had been discussed and it had been agreed that once planning permission had been granted a full financial assessment would be undertaken and at that point would be considered in relation to the strategic risks.

In terms of large-scale contracts, the Executive Director of Resources (Section 151 Officer) provided assurance that the Commissioning Assurance Board, which was an officer board which sat at Executive and Chief Executive level, considered the top 200 contracts on a quarterly basis and although reported to Audit Committee was not made publicly available. As part of the annual audit process the internal audit team would identify contract audits as part of the regular work undertaken by the team so there were always a number of audits around those significant contracts, including those larger in value as part of a broader cross section to allow the Chief Audit Executive to provide assurance at the end of the year that there was a reasonable control environment across the organisation which included the management of contracts.

The Risk and Business Continuity Manager took Members through the Annual Report of the Risk Management team for 2022/23 and highlighted the salient points. She reported a positive Direction of Travel. She informed the meeting that two new training modules, for risk and business continuity, had been added to Leap into Learning and which were due to go live shortly and would enable all officers and members to get an understanding of how both disciplines operated across the Council.

In response to a query, the Risk and Business Continuity Manager reported that there were 128 operational risk registers which were reviewed bi-annually to ensure that any emerging themes or risks associated with operational risks were fed up to the strategic risk leads as part of the strategic risk review. There were also registers in place for all key projects which were also reviewed on a regular basis.

Councillors Evans and Buckley wished it to be noted that they had requested that a possible change in political leadership should have been included as a strategic risk as they felt other authorities would do so and that the Council was two by-elections away from a change in control.

Councillor Evans voted against the recommendation contained in the report.

**RESOLVED:**

To accept the position as set out in the report, subject to the above.

**54 First line assurance: Blue Badge Management Update**

The Committee received the report of the Transactional Management and Licensing Manager- copy attached to the signed Minutes – which provided an update on the actions taken and the current position in response to the Blue Badge Audit 2022/23.

The Transactional Management and Licensing Manager reassured the Committee that a lot of work had been undertaken to address the recommendations identified in



the audit. She reported that there were only three outstanding recommendations which were due to the increased volume of applications being received. She informed the meeting that a full review of the service was being undertaken which included revised policy and procedures to be concluded and implementation by 1 April 2024.

She reported that they were processing applications in line with Department for Transport (DfT) requirements of 12 weeks however there was a backlog of over 1400 applications. The three outstanding recommendations were detailed in the report (paragraphs 7.2-7.3) and were very much around processes and procedures within the application process.

Members considered the current situation to be unsatisfactory, and they reported receiving complaints from their constituents. The situation was not new however and had been reported in the local press in October 2022, also, the service received a limited audit opinion in 2015/16. It was concerning that the outstanding recommendations would not be addressed for a further six months. It was queried whether there was sufficient staff to process the increase in applications.

In terms of the backlog, the Transactional Management and Licensing Manager confirmed that the outstanding applications were being processed in strict date order except for those applicants who came under the special rules criteria. She referred to the total volume of blue badge applications received by financial year (set out in paragraph 8.3 of the report) which demonstrated the increase of applications being received, the vast majority of which fell under the hidden disability criteria introduced in 2018 for which the assessment process was more complex.

A member referred to a question that had been raised at Cabinet about why there was not an automatic renewal process for a person who had a lifelong condition, rather than them having to re-apply every three years as whilst these applications were being processed the applicants were unable to go out. The Transactional Management and Licensing Manager explained the renewal process. She stated that as they were actually new applications rather than renewals, all of the required documents had to be uploaded again. She informed the Committee that it was a requirement of the DfT for applications to be submitted electronically and this had allowed them to continue processing applications throughout the covid-19 pandemic. There were advocates in the community who could assist with blue badge applications, for example Age UK.

It was felt that a recruitment process should have been undertaken in advance of the planned retirement of the long-standing officer with 25 years' experience of processing blue badge applications. In response, the Transactional Management and Licensing Manager informed the meeting that they had six weeks' notice of the retirement whereas it takes 3 months for recruitment. Members wished it to be fed back to HR that a six-week notice period was inadequate and had led to inefficiencies within the service.

The Committee requested that any review and monitoring of blue badge submissions be backdated to cover the period between now and April 2024 in order for it to be on record how long these applications took to process. It was also requested that the report be forwarded on to People's Scrutiny Committee to include when they consider the Blue Badge Service along with members' comments.

**RESOLVED:**

To note the position as set out in the report and for a further report to be submitted to the June 2024 meeting of the Audit Committee to include backdated monitoring information.

To forward this report to the People's Scrutiny Committee to include when they consider the Blue Badge Service along with members' comments.

**55 First line assurance: Freedom of Information (FOI) Management Update**

The Committee received the report of the Assistant Director – Legal and Governance - copy attached to the signed Minutes – which summarised the Council's compliance with the Freedom of Information Act 2000 (FOIA) and provided an update on the Information Commissioner (ICO) enforcement notice received in April 2023.

The Assistant Director – Legal and Governance explained that they had now got to the position they always should have been at. He had informed the Committee at its September meeting that things were moving in the right direction in terms of the enforcement notice. He was therefore pleased to say that progress had been maintained and that a meeting had been held with the ICO earlier in November who were pleased to confirm that as the Council had complied with the enforcement notice, they were no longer subject to it however, compliance would be kept under scrutiny as the progress that had been made needed to be maintained.

The report set out how the Council intended to maintain progress and embed the process. A new member of staff had been appointed to assist with this along with an internal review by the Office of the Chief Executive to review the processes to see where they could be streamlined and improved. Fundamentally, it was about focussing attention and really understanding the importance of responding to requests in a timely manner in accordance with the statutory requirements.

In response to a query, the Head of Policy and Governance confirmed that there was a Key Performance Indicator (KPI) that was monitored through Legal and Governance specifically for FOI requests. He confirmed that since the enforcement notice was issued on 26 April 2023 they had a six month period in which to turn around the Council's poor position in terms of FOI response rates which not only included responding to new requests, it also included a backlog of requests that went back over a number of months and the focus had been on undertaking that work in order to get to a compliant position. The work with the Office of the Chief Executive to undertake a review going forward would obviously identify some of those areas that could be further improved upon in order to improve efficiency and the way in which the council reacted as an organisation to FOI requests.

The Assistant Director – Legal and Governance confirmed that the Council were moving towards a more centralised arrangement and following on from the enforcement notice needed to take stock of the most effective mechanism moving forward to sustain compliance. It was suggested that the Council undertake some proactive communications work in areas where there was increased FOI interest which may reduce the number of FOI requests received and thereby reduce the burden on the Council. The Head of Policy and Governance confirmed that this was

being considered and had been worked on by the Information Governance team tirelessly over the summer alongside other service areas to try to increase publication of information where possible. This was also being picked up by the Office of the Chief Executive and would be reported back to a future meeting.

In response to a query, the Assistant Director – Legal and Governance confirmed that time would tell whether the Council had capacity going forward to manage the growth in FOI requests. He felt that, whilst there could be an increase in the number of FOI requests received, technology may proportionately help, including possibly AI (Artificial Intelligence), in understanding the information the Council held more effectively.

**RESOLVED:**

To note the Council's response to the ICO enforcement notice.

**56 Second line assurance: Treasury Strategy Mid-Year Report 2022/23**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which provided Members with an economic update for the first six months of 2023/24, along with reviews of the Treasury Strategy 2023/24 and Annual Investment Strategy, the Council's investment portfolio for 2023/24, the Council's borrowing strategy for 2023/24, any debt rescheduling taken and compliance with Treasury and Prudential limits for 2023/24.

The Chairman congratulated the team on its performance in generating additional income of £0.558m. Members were pleased to see that the Council had managed its borrowing, which had not gone up. It was noted that the indicator for gross borrowing (page 63) was £445m and a query was raised as to where that indicator had come from because the actual borrowed amount was £286m.

In response, the Executive Director of Resources (Section 151 Officer) explained that it was calculated on a standard framework which gave a feel for the financial position of the authority and took into account various different factors. He explained that over the last few years the Council had under-borrowed, although there had been opportunities to borrow which would bring them back to that indicator but as soon as you borrow money, that has a revenue implication as interest would be paid on it, so the position taken was while the cash balances were healthy the Council had not needed to undertake borrowing. Additionally, the Council had repaid some of its long-term borrowing as it matured and at that point the question was asked about whether they needed to replace that borrowing and the answer had been no.

In response to a further query, the Executive Director of Resources (Section 151 Officer) explained what the Triple B investments were, and he agreed to share details of the particular organisations with Members outside of the meeting.

**RESOLVED:**

To agree the Treasury Strategy activity as set out in the report.

**57 Governance Assurance: Annual Audit Committee Self-Assessment**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which asked Members to review and comment on the self-assessment of good practice questionnaire attached to the report. The questionnaire allowed Members to assess the effectiveness of the Audit Committee and to identify any further improvements that could be made which would improve the Committee's overall effectiveness.

There was one area of partial compliance as set out in paragraph 7.9 of the report for which there was an improvement plan in place.

**RESOLVED:**

To approve the self-assessment of good practice attached at Appendix A and C having identified any errors or amendments required.

**58 Third line assurance: Internal Audit Charter**

The Committee received the report of the Head of Policy and Governance - copy attached to the signed Minutes – which set out the Internal Audit Charter. The Head of Policy and Governance informed the Committee that a consultation had been undertaken on the current standards in early 2023 and that he would advise them of any changes to the charter as a result of that consultation. Other changes to the Charter were set out in italics, bold and underlined.

**RESOLVED:**

To endorse the Internal Audit Charter as set out in Appendix A to the report.

**59 Second line assurance: Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities, including an update on the National Fraud Initiative**

The Committee received the report of the Head of Policy and Governance - copy attached to the signed Minutes – which outlined the measures undertaken to evaluate the potential for the occurrence of fraud, and how the Council manages these risks with the aim of prevention, detection, investigation and subsequent reporting of fraud, bribery and corruption.

The Head of Policy and Governance drew attention to the Action Plan set out at paragraph 8.13. He confirmed that the Council had submitted its data for the 2022/23 National Fraud Initiative (NFI) matching process and that they were currently working through the results. A further update would be provided to the Committee when available.

The Head of Policy and Governance reported that only minor amendments had been made to the Strategy to reflect structure changes at the Council and the move to a more digital approach. All proposed changes were set out in bold italic and underlined.

A brief discussion ensued in relation to cyber-crime as a potential means to commit fraud rather than fraud in itself. The Head of Policy and Governance felt it was important to pull cyber-crime out as a potential means of fraud however concern was raised that it was getting blurred and that cyber-crime was not fraud in itself it was a means to fraud so it was important to be clear and not lose the point of what is fraud. The Head of Policy and Governance confirmed that he was the Anti-money laundering officer and that the Internal Audit Manager was his deputy.

In response to a query around the potential for fraud/bribery in relation to planning applications, the Head of Policy and Governance confirmed that from an Internal Audit perspective, counter fraud controls were included within the audit programmes that were undertaken and these controls were assessed as part of the audit process to check whether they were operating effectively which reduced the likelihood of fraud/bribery.

**RESOLVED:**

To endorse the Counter Fraud, Bribery and Anti-Corruption Strategy along with the measures detailed within the report to manage the associated risks with the aim of prevention, detection, investigation and subsequent reporting of fraud, bribery and corruption.

**60 Governance Assurance: Annual review of Audit Committee Terms of Reference**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which set out the review of the Audit Committee Terms of Reference. Only minor changes had been made to reflect current reporting titles and to further clarify the responsibilities of the Audit Committee in relation to approving the Statement of Accounts, these were set out in italics, bold and underlined.

**RESOLVED:**

To approve the revised Audit Committee Terms of Reference.

**61 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2023/24**

The Committee received the report of the Head of Policy and Governance - copy attached to the signed Minutes – which provided members with an update of the work undertaken by Internal Audit in the two months since the September 2023 Audit Committee.

The Head of Policy and Governance informed the Committee that 50% of the revised plan had been completed which was in line with previous delivery records and that they were on track to deliver a minimum of 90% of the revised annual plan by year end. In total, nine final reports had been issued containing 85 recommendations (set out in paragraph 8.5 of the report). Of the 85 recommendations, two were fundamental (one of which was set out at paragraph 8.11 and the other in the

confidential part of the agenda). The unsatisfactory and limited assurance opinions were set out in table 3 of Appendix A.

In response to concerns around the use of WhatsApp, the Head of Policy and Governance explained that it was an historic issue when WhatsApp was implemented on corporate devices and was very much used as a last resort. From an information governance perspective, the report was welcomed, and he confirmed that the corporate information governance group (IGLOO) were due to sit the following Monday and the issue of WhatsApp use was on the agenda. He reported that Senior Leaders charged with information governance and the delivery of sound information governance across the organisation sat on that Group and that the Executive Director of Resources (Section 151 Officer), who was the Senior Information Risk Officer (SIRO), was Chair of that Group. The issues raised within the report in relation to the use of WhatsApp had been recognised and would be considered further at IGLOO and further work would be undertaken to understand how and why WhatsApp was currently being used and whether there were suitable alternatives available within the organisation.

Concern was raised at the reduction in days of planned activity from 1289 to 1228 and it was queried at what stage did this become a strategic risk. The Head of Policy and Governance confirmed that it was a risk and that the service was at its minimum in terms of resources. They were carrying vacancies within the team but they were due to go out for another recruitment round to address the issue. The Internal Audit Manager reassured the Committee that this was recognised as a high risk on the Internal Audit operational risk register and she had regular conversations with the Executive Director of Resources (Section 151 Officer). There has been no reduction in the number of posts within the Internal Audit team, however, there were no suitable applicants during the last recruitment exercise and they were looking to change the recruitment offer to make it more attractive to external applicants. The Head of Policy and Governance confirmed that in the past they had supplemented the internal resource with external providers.

In response to a query about whether the internal audit posts were subject to the staff vacancy management process that the finance team were asking every department to lose 5% and delete any vacancies. In response, the Executive Director of Resources (Section 151 Officer) explained that there were no exemptions to the 5% vacancy factor which was managed on the basis of turnover levels expected within the year within the organisation. He confirmed that the Resources Directorate had met its 5% vacancy turnover factor this year and he assured the Committee there were no implications for the Internal Audit team. He explained that there was a shortage of Auditors which also extend into the private sector.

The Executive Director of Resources (Section 151 Officer) felt it was important to note the benefit to the organisation of bringing in external internal auditors who were a completely independent external resource who could look at certain parts of the organisation or certain particular audits and bring an additional level of independence. So regardless of the position within the internal audit team in terms of recruitment, there would always be a best practice need for using external auditors as part of a clearly defined process. He reassured the Committee that he had regular conversations with the Internal Audit Manager and the Head of Policy and Governance in relation to whether there was adequate coverage across the organisation to ensure an assessment could be made at the end of the year.

Although at the minimum level of coverage, there were opportunities to look at different methodologies that would deliver the required outcome.

The Committee welcomed the reassurance but requested further data so they could understand the gap between planned days and actual days along with which of those were delivered by external specialists and which were generic day-to-day business as usual in order for the Committee to understand the growing gap in business-as-usual planned audit activity and the difference in cost of an internal employee compared to that of an external auditor. Assurance was sought that the current internal audit team would not be asked to save 5% of its staffing in the next financial year. The Executive Director of Resources (Section 151 Officer) informed the Committee that this was a decision for himself as the Section 151 Officer, and he had provided assurance that it was something they were constantly discussing and working through. In relation to the comparison of costs, he acknowledged that it was more costly to bring in external auditors but that was something that had been factored in due to the benefits it brought and was a separate issue to the number of audit days available in the plan however they were ensuring that there was adequate coverage over a period of time. As Section 151 Officer he understood the importance to the organisation of the internal audit function.

In response to a query, the Executive Director of Resources (Section 151 Officer) confirmed that the requirement for an Internal Audit Function was a responsibility specifically within the role of the Section 151 Officer that there was nothing mandatory about the particular posts within the internal audit team. It was requested that if the organisation wished to reduce the number of posts within the internal audit team that the Committee be informed.

**RESOLVED:**

To note performance against the 2023/24 Audit Plan.

*It was agreed to take Agenda Items 15 (Statement of Accounts 2021/22) and 17 (External Audit: Shropshire Council Audit Findings (Information) 2021/22) together.*

**62 Second Line Assurance: Statement of Accounts 2021/22**

**63 Third line of assurance: External Audit: Shropshire Council Audit Findings (Information) 2021/22**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which provided for the final approval of the Statement of Accounts for 2021/22, following completion of the audit of the accounts. The Committee also received the report of the Engagement Lead - copy attached to the signed Minutes – which set out the Audit Findings for 2021/22.

The External Audit Senior Manager summarised the report and highlighted the key points. She reported that the audit was now substantially complete with the outstanding issues being detailed on page 3 of the report and she provided an update on two of the issues. One was a query regarding the gross internal area of the waste transfer site and although they had received a verbal response from the valuer further supporting documents had been requested. Turning to the cash flow

amendments, the External Audit Senior Manager confirmed that they had concluded their work in this area which related to 2022/23, 2022/21 and 2020/21.

She informed the Committee that the scope of the audit had not changed and that the significant risks outlined at the planning stage had remained the same (and were detailed on pages 7-14 of the report) as had the levels of materiality (£9m for the group, £8.9m for the Council). She then took Members through the key findings including two material adjustments to the financial statements, which although significant in value had no impact on the level of the general fund balances. One was in relation to infrastructure which resulted in an £148m increase in property, plant and equipment balances (details of which were set out on pages 13 and 36 of the report). The second adjustment was in relation to the net Pensions Fund liability following publication of the triannual valuation the Council obtained an updated valuation which led to an increase of £29.1m in the net pension liability.

The External Audit Senior Manager drew attention to two unadjusted misstatements (set out on page 35 of the report) and although above the trivial threshold of £445,000, they were not material and did not impact upon the proposed opinion however it was requested that they be included in the letter of representation. A number of recommendations had been made (set out in Appendix A) and an unqualified opinion would be issued.

In response to a query the Key Audit Partner explained that he hoped to bring a draft Annual Auditors report to the next meeting which would look at value for money and the medium-term financial strategy etc.

**RESOLVED:**

1. to approve the 2021/22 Statement of Accounts and that the Chairman of the Audit Committee sign them (in accordance with the requirements of the Accounts and Audit Regulations 2015).
2. to agree that the Executive Director of Resources be authorised to make any minor adjustments to the Statement of Accounts prior to publication of the audited Statement of Accounts.
3. to agree that the Executive Director of Resources and the Chairman of the Audit Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.
4. to note the contents of the Audit Findings report for 2021/22.

*It was agreed to take Agenda Items 16 (Statement of Accounts 2022/23) and 18 (External Audit: Shropshire Council Audit Findings (Information) 2022/23) together.*

64 **Second Line Assurance: Statement of Accounts 2022/23**

65 **Third line of assurance: External Audit: Shropshire Council Audit Findings (Information) 2022/23**



The Committee received the report of the Executive Director of Resources (Section 151 Officer) - copy attached to the signed Minutes – which provided for the final approval of the Statement of Accounts for 2022/23, following completion of the audit of the accounts. The Committee also received the report of the Engagement Lead - copy attached to the signed Minutes – which set out the Audit Findings for 2022/23.

In respect of the two queries raised on the 2021 accounts, the Engagement Lead confirmed that one had been answered but the second one was still in progress and it was hoped to bring the response to the February 2024 meeting of the Audit Committee. A query was raised as to whether that meant that the 2021 accounts had not been signed off. In response, the Engagement Lead explained that he had signed the opinion on the financial statements but had not certified the audit closed. It was hoped to certify all of the audits closed in February.

The External Audit Senior Manager informed the Committee that there had been significant progress since the report had been written. There had been one material adjustment which related to pensions adjustment of £29.1m so the opening balances for 2022/23 had changed however they were satisfied that that adjustment had now been made in the 2022/23 accounts. She confirmed that there were currently no unadjusted mistakes to note. Many of the outstanding matters had now been closed and she gave a verbal update on the red flagged items.

The External Audit Senior Manager reported that a response had been received from the valuer for both investment property and other land and building valuation inputs. They had reviewed the investment property points which had led to some minor queries for the valuer however for other land and buildings this was more complex as there was more variation in the sample and they were working through that and hoped to get the queries to the valuer the following week in order to draw this to a conclusion. She then took members through each significant risk area and provided an update on each.

The External Audit Senior Manager drew attention to page 40 of their report which set out the audit adjustments, the main one being the pensions adjustment which had been amended. She anticipated that an unqualified opinion would be issued. External Audit thanked the central finance team in particular for their assistance.

**RESOLVED:**

1. to approve the 2021/22 Statement of Accounts and that the Chairman of the Audit Committee sign them (in accordance with the requirements of the Accounts and Audit Regulations 2015).
2. to agree that the Executive Director of Resources be authorised to make any minor adjustments to the Statement of Accounts prior to publication of the audited Statement of Accounts.
3. to agree that the Executive Director of Resources and the Chairman of the Audit Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.
4. to note the contents of the Audit Findings report for 2022/23.

**66 Date and Time of Next Meeting**

The next meeting of the Audit Committee would be held on the 22 February 2024 at 10.00am.

**67 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.

**68 Exempt minutes of the previous meeting held on the 28 September 2023**

**RESOLVED:**

That the Exempt Minutes of the meeting of the Audit Committee held on the 28 September 2023 be approved as a true record and signed by the Chairman.

*It was agreed to take Agenda item 22 (Fraud, Special Investigation and RIPA Update) last.*

**69 Third line assurance: Montagu Evans Contract Management Audit (Exempted by Categories 3 and 5)**

The Committee received the exempt report of the Head of Policy and Governance – copy attached to the signed exempt Minutes – which provided Members with an update on the recent unsatisfactory audit of the contract management arrangements with Montague Evans.

**RESOLVED:**

To note the contents of the report.

**70 First line assurance: Montagu Evans Contract Management Update(Exempted by Category 3)**

The Committee received the exempt report of the Head of Property and Development – copy attached to the signed exempt Minutes – which provided an update on the improvements that had already been made to address the recommendations contained in the audit report and set out the Action Plan which addressed the remaining recommendations.

**RESOLVED:**

To note the contents of the report.

**71 Third line assurance: Highways Other Major Contracts Audit (Exempted by Categories 3 and 5)**

The Committee received the exempt report of the Head of Policy and Governance – copy attached to the signed exempt Minutes – which provided an update on the recent unsatisfactory audit of the Highways Other Major Contracts.

**RESOLVED:**

To note the contents of the report.

**72 Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 1, 2, 3 and 7)**

The Committee received the exempt report of the Internal Audit Manager – copy attached to the signed exempt Minutes – which provided a brief update on current fraud and special investigations undertaken by Internal Audit and the impact on the internal control environment, together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.

**RESOLVED:**

To note the contents of the report.

Signed ..... (Chairman)

Date: .....

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	<b>Committee and Date</b>	Item
	Audit Committee	
	22 <sup>nd</sup> February 2024	
	10:00am	Public



## Review of the Audit Committee's Annual Work Plan and Future Learning and Development Requirements 2024/25

<b>Responsible Officer:</b>	Barry Hanson		
email:	<a href="mailto:barry.hanson@shropshire.gov.uk">barry.hanson@shropshire.gov.uk</a>	Tel:	07990 086409
<b>Cabinet Member (Portfolio Holder):</b>	Lezley Picton (Leader of the Council) Brian Williams (Chairman of Audit Committee) Gwilym Butler, Portfolio Holder – Finance, Corporate Resources and Communities		

### 1. Synopsis

Audit Committee Members agree, annually, a plan of work and appropriate learning and development to undertake their duties effectively and deliver them to a high standard, therefore ensuring the integrity of the financial reporting and governance of the Council.

### 2. Executive Summary

2.1. It is important that Audit Committee Members have an agreed plan of work for the year ahead and receive appropriate learning and development to deliver their responsibilities effectively. This report provides a proposed Audit Committee work plan and seeks discussion and agreement around a learning and development plan for Members to ensure that they are well informed and appropriately skilled to fulfil their role.

### 3. Recommendations

3.1. The Committee is asked to consider and approve, with appropriate comment:

- The Audit Committee work plan for 2024/25, **Appendix A**;
- A learning and development plan for Members of the committee taking in to account information in Appendices A and B.

## Report

### 4. Risk Assessment and Opportunities Appraisal

4.1. By identifying the key topics to be considered at the Audit Committee meetings and receiving appropriate learning and development sessions in respect of their roles and responsibilities, Audit Committee Members can undertake their duties effectively and deliver them to a high standard, thereby adding to:

- the robustness of the risk management framework;
- the adequacy of the internal control environment and
- the integrity of the financial reporting and annual governance of the 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 climate change requirements or consequences of this proposal.

### 5. Financial Implications

5.1. The Audit Committee work plan and learning and development sessions for members will be met from within approved 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 nor climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

## 7. Background

7.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) identifies the purpose of an Audit Committee, in its Practical Guidance for Local Authorities and Police 2022 Edition, as providing those charged with governance, independent and high-level focus on the adequacy of governance, risk and control arrangements. In local authorities, audit committees are necessary to satisfy the wider requirements for sound financial and internal control. Accounts and Audit (England) Regulations 2015 state 'the relevant authority must ensure that it has a sound system of internal control which; facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk'. With a known work plan, and appropriate and timely learning and development for Members, the committee will be well prepared and members will gain the knowledge and experience needed to carry out their role effectively.

### 7.2. Work Plan

The work plan in **Appendix A** continues to be presented in a format which demonstrates how reports to Audit Committee contribute to the delivery of the Committee's Terms of Reference and what assurances they provide.

7.3. The External Auditors, Grant Thornton will confirm their reports and timings at the meeting prior to any work plan approval.

### 7.4. Learning and Development

CIPFA identify a key characteristic of an effective Audit Committee as having a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. There is a range of knowledge and experience that audit committee members can bring to the committee which will enable it to perform effectively. No one committee member is expected to be an expert in all areas. There are however some core areas of knowledge which committee members need to acquire in addition to the need for regular briefings and training.

7.5. Members need to consider annually their learning and development plan to support them in delivery of their roles. During 2023/24 Members have received three half day sessions covering several topics in detail; i.e.

- Interpreting Financial Statements (Feb 23)
- Legal and Governance Update (June 23)
- IT Service Delivery and Assurance Update (June 23)
- Finance Update (June 23)
- Procurement and Commissioning (September 23)
- Performance Management Framework (September 23)
- Internal Audit Performance Reporting (Proposed Feb 24)
- Property / Asset Disposals (Proposed Feb 24)

7.6. It is proposed that training is again provided in three half day sessions over the next twelve months. Sessions are proposed for the 13<sup>th</sup> June 2024, the 12<sup>th</sup> September 2024 and the 23<sup>rd</sup> January 2025.

- 7.7. **Appendix B** identifies training topics for Audit Committee Members to consider. Topics are identified as core areas of knowledge that all Audit Committee Members should seek to acquire plus specialisms that can add value to the committee. Members may also want to hear from key officers of the Council where new or changing activities and risks are emerging and can request this as part of their training.
- 7.8. Whilst members are asked to endorse the initial sessions for learning and development, this will not prevent any additional items being added during the year or changes being made if these are felt to be of value.

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

Previous training session records  
CIPFA's Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition  
Accounts and Audit Regulations 2015

**Local Member:** N/A

**Appendices**

**Appendix A** – Audit Committee Work Plan 2023/24 and Summary  
**Appendix B** – Audit Committee Members development topics



**Appendix A: Audit Committee Work Plan – 2024/25**

Report	Assurances Required / Being Sought	Relevancy – Terms of Reference
<b>Core business 27 June 2024</b>		
1. Section 151 Officer: Statement of Accounts.	<p>Ensure that the narrative report to the accounts help the public understand the Council's financial management of public funds.</p> <p>Consider the outcome of the External Audit and the appropriateness of management responses. Seek assurance that the Council has appropriate accounting policies in place to ensure that items are treated correctly in the accounts.</p>	<p>To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.</p>
2. Section 151 Officer: Annual Governance Statement (AGS) and review of the effectiveness of the Council's internal controls and Shropshire Council's Code of Corporate Governance.	<p>Confirm that the final Annual Governance Statement accurately reflects the Committee's understanding of how the Council is run.</p> <p>Gain assurance that management have progressed the agreed actions associated with the significant issues / key risks identified in the Annual Governance Statement.</p> <p>That the Council has very strong compliance with the Code of Corporate Governance which is part of the overall internal control framework and contributes to the Council's strong governance arrangements.</p>	<p>To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, considering Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.</p> <p>To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.</p> <p>To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.</p>

**Appendix A: Audit Committee Work Plan – 2024/25**

<b>Report</b>	<b>Assurances Required / Being Sought</b>	<b>Relevancy – Terms of Reference</b>
<p>3. Section 151 Officer: Financial Outturn report.</p>	<p>Provides the financial outturn of the Council's revenue budget for the year and therefore considers the effect that any over/underspend has on the Council's balances.</p> <p>Provides details of the potential risks affecting the balances and financial health of the Council.</p> <p>Provides the financial outturn of the Council's capital budget for the year and therefore considers the impact that slippage within the programme will have on the financing of the capital programme in the future, including any future revenue implications.</p>	<p>To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.</p> <p>To consider the Council's arrangements for securing value for money and review assurances and assessments on the effectiveness of these arrangements.</p>
<p><b>Core business 17 July 2024</b></p>		
<p>1. Management Update: Blue Badge Service Update</p>	<p>An update on the actions taken to implement the recommendations made within the 2022/23 Blue Badge Internal Audit report.</p>	<p>To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.</p>
<p>2. Internal Audit: Performance report and revised Annual Audit Plan.</p>	<p>Understand the level of assurances being given because of audit work and their impact on the Council's governance, risk and control environment.</p> <p>Ensure management action is taken to improve controls / manage risks identified.</p>	<p>To consider reports from the Chief Audit Executive on Internal Audit's performance during the year, including the performance of external providers of Internal Audit Services. These will include updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work.</p>

**Appendix A: Audit Committee Work Plan – 2024/25**

<b>Report</b>	<b>Assurances Required / Being Sought</b>	<b>Relevancy – Terms of Reference</b>
	<p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Confirm appropriate progress being made on the delivery of the audit plan and performance targets.</p> <p>Understand any resourcing issues because of changes to the plan.</p>	<p>To consider summaries of specific internal audit reports as requested.</p> <p>To receive reports outlining the action taken where the Chief Audit Executive has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.</p> <p>To approve significant interim changes to the risk based internal audit plan and resource requirements.</p>
<p>3. Internal Audit: Annual Report.</p>	<p>Chief Audit Executive's overall opinion on the Council's internal control environment.</p> <p>Performance against the revised internal audit plan.</p> <p>Provides a review of the effectiveness of the systems of internal control.</p>	<p>To consider the Chief Audit Executive's annual report, specifically:</p> <p>a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.</p> <p>b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the</p>

**Appendix A: Audit Committee Work Plan – 2024/25**

Report	Assurances Required / Being Sought	Relevancy – Terms of Reference
		opinion – these will assist the committee in reviewing the Annual Governance Statement.
<p>4. Section 151 Officer: Annual review of internal audit: quality assurance and improvement programme (QAIP).</p>	<p>That Internal Audit complies with the Public Sector Internal Audit Standards and is effective in doing so. That there is an improvement programme in place to ensure that any identified gaps are addressed.</p>	<p>To consider reports from the Chief Audit Executive on Internal Audit's performance during the year, these will include reports on:</p> <ul style="list-style-type: none"> <li>• the results of the Quality Assurance and Improvement Programme; and</li> <li>• instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance should be included in the Annual Governance Statement.</li> </ul> <p>To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of Internal Audit that takes place at least once every five years.</p>
<p>5. Internal audit: Annual assurance report of Audit Committee to Council.</p>	<p>Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run.</p> <p>Provides Council with an independent assurance report that the Council has in place adequate and effective risk management and internal control systems that can be relied upon and which contribute to the high</p>	<p>To report annually to Full Council on the Committee's findings, conclusions and recommendations; providing its opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements.</p>

**Appendix A: Audit Committee Work Plan – 2024/25**

Report	Assurances Required / Being Sought	Relevancy – Terms of Reference
	corporate governance standards that this Council expects and has consistently maintained.	To report to Council where the Audit Committee have added value, improved or promoted the control environment and performance in relation to the Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions.
6. Assistant Director Workforce: Annual Whistleblowing report.	Assurance that as part of the Counter Fraud, Bribery and Anti-Corruption Strategy the Whistleblowing policy contributes to our zero tolerance of fraud, bribery and corruption.	To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption.
7. Section 151 Officer: Annual Treasury report.	Provide assurance on the treasury activities for Shropshire Council, including the investment performance of the internal Treasury team.	<p>To receive regular reports on activities, issues and trends to support the Committee's understanding of treasury management activities. The Committee is not responsible for the regular monitoring of treasury management activity.</p> <p>To review the treasury risk profile and adequacy of treasury risk management procedures and assurances on treasury management.</p>
8. Risk and Business Continuity Manager: Risk Annual report	<p>To understand the current strategic risk exposure together with recent modifications and planned changes to strategic risk management within the Council.</p> <p>Gain assurance that the Council is effectively managing its key risks – has good risk management systems / processes in place that enable decision makers to</p>	To monitor the effective development and operation of risk management in the Council.

**Appendix A: Audit Committee Work Plan – 2024/25**

<b>Report</b>	<b>Assurances Required / Being Sought</b>	<b>Relevancy – Terms of Reference</b>
	understand the level of risk being taken and the Council is prepared to accept.	
9. External Audit: Fee Letter.	To provide a clear indication as to the External Auditor's fees for the year.	To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
10. External Audit: Audit progress report and sector update.	<p>Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.</p> <p>The paper also includes:</p> <ul style="list-style-type: none"> <li>•a summary of emerging national issues and developments that may be relevant to the Council; and</li> <li>•several challenge questions in respect of these emerging issues which the Committee may wish to consider.</li> </ul>	<p>To consider specific reports as agreed with the External Auditor and other inspection agencies.</p> <p>To comment on the scope and depth of external audit work and to ensure it gives value for money.</p>
11. Internal Audit: Fraud, investigations and RIPA update.	Provide assurances and an update on current fraud and investigations undertaken by Internal Audit and the impact these have on the internal control environment together with an update on activity under the Regulation of Investigatory Powers Act (RIPA).	<p>To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption.</p> <p>To monitor the counter-fraud, bribery and corruption strategy, actions and resources.</p>
<b>Other assurance</b>		
12. External Audit: Pension Fund Audit Plan (information).	Evidence that the External Auditor understands the Council's business, risk, challenges and opportunities it is facing. Explanation of its audit approach and the scope of its plans for the Pension Fund.	To consider specific reports as agreed with the External Auditor and other inspection agencies.

**Appendix A: Audit Committee Work Plan – 2024/25**

<b>Report</b>	<b>Assurances Required / Being Sought</b>	<b>Relevancy – Terms of Reference</b>
<b>Core business: 27 September 2024</b>		
1. Risk and Business Continuity Manager: Strategic Risks update.	Assurances that the management of strategic risks which is a key process that underpins the successful achievement of the Council's priorities and outcomes is robust. Strategic risks are a key aspect of the Annual Governance Statement. Provide information to confirm to the Audit Committee that they are receiving assurances on the key risk areas within the Council and how these are being managed through the internal controls and governance processes.	To monitor the effective development and operation of risk management in the Council.
2. External Audit: Audit Findings report Shropshire Council	Seek assurance over the adequacy of the External Audit opinion on the financial statements and the Council's value for money arrangements.  Ensure any issues / risks identified are being effectively managed.	To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.
3. Section 151 Officer Final Statement of Accounts	Approve the final audited outturn position for the financial year and details of any amendments made to the Draft Statement of Accounts during the audit process.  Where a meeting is held before the 31 <sup>st</sup> July, to agree that the Executive Director of Resources (s151 Officer) be authorised to make any minor adjustments to the Statement of Accounts prior to the 31st July.	To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

**Appendix A: Audit Committee Work Plan – 2024/25**

Report	Assurances Required / Being Sought	Relevancy – Terms of Reference
	<p>Agree that the Executive Director of Resources (s151 Officer) and the Chairman of the Audit Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.</p>	
<p>4. Internal Audit: Performance report and revised Annual Audit Plan.</p>	<p>Understand the level of assurances being given because of audit work and their impact on the Council's governance, risk and control environment.</p> <p>Ensure management action is taken to improve controls / manage risks identified.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Confirm appropriate progress being made on the delivery of the audit plan and performance targets.</p> <p>Understand any resourcing issues because of changes to the plan.</p>	<p>To consider reports from the Chief Audit Executive on Internal Audit's performance during the year, including the performance of external providers of Internal Audit Services. These will include updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work.</p> <p>To consider summaries of specific internal audit reports as requested.</p> <p>To receive reports outlining the action taken where the Chief Audit Executive has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.</p>



**Appendix A: Audit Committee Work Plan – 2024/25**

<b>Report</b>	<b>Assurances Required / Being Sought</b>	<b>Relevancy – Terms of Reference</b>
		To approve significant interim changes to the risk based internal audit plan and resource requirements.
5. External Audit: Audit progress report and sector update.	<p>Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.</p> <p>The paper also includes:</p> <ul style="list-style-type: none"> <li>•a summary of emerging national issues and developments that may be relevant to the Council; and</li> <li>•challenge questions in respect of these emerging issues which the Committee may wish to consider.</li> </ul>	<p>To consider specific reports as agreed with the External Auditor and other inspection agencies.</p> <p>To comment on the scope and depth of external audit work and to ensure it gives value for money.</p>
6. External Audit: Annual Audit Letter.	Provides assurances on the key findings arising from the work that External Audit have carried out at the Council.	To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
7. Internal Audit: Fraud, special investigations and RIPA update.	Provide assurances and an 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.	<p>To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption.</p> <p>To monitor the counter-fraud, bribery and corruption strategy, actions and resources.</p>
<b>Other assurance</b>		
8. External Audit: Audit Findings report Shropshire County Pension Fund (information).	Seek assurance over the adequacy of the External Audit opinion on the financial statements and the Council's value for money arrangements.	To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

**Appendix A: Audit Committee Work Plan – 2024/25**

Report	Assurances Required / Being Sought	Relevancy – Terms of Reference
	Ensure any issues / risks identified are being effectively managed.	
<b>Core business: 28 November 2024</b>		
1. Internal Audit: Annual review of Audit Committee Terms of Reference.	Ensures the Audit Committees continues to benefit the Council by continuing to provide an effective service assessed against current best practice.	To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
2. Internal Audit: Annual review of Internal Audit Charter.	Assurance that effective corporate governance arrangements are maintained in the Council, part of which is evidenced by a current Internal Audit Charter.	To approve the Internal Audit Charter.
3. Internal Audit: Annual review of Counter Fraud, Bribery and Anti- Corruption Strategy and activities; including an update on the National Fraud Initiative (NFI).	<p>Confirm that the Council's counter fraud activity is targeted and effective.</p> <p>Ensure that appropriate progress is being made on the delivery of the Counter Fraud plan.</p> <p>Ensure that lessons have been learnt – understand fraud risks facing the Council and actions being taken to reduce the risk</p> <p>Provides confirmation that the Counter Fraud, Bribery and Anti-Corruption Strategy has been reviewed in line with best practice and continues to underpin the Council's commitment to prevent all forms of fraud,</p>	To monitor the counter-fraud, bribery and corruption strategy, actions and resources.

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**Appendix A: Audit Committee Work Plan – 2024/25**

Report	Assurances Required / Being Sought	Relevancy – Terms of Reference
	<p>bribery and corruption whether it be attempted on, or from within, the Council, thus demonstrating the strategy's continuing and important role in the corporate governance and internal control framework.</p> <p>Provides an update and assurances on the outcomes of the National Fraud Initiative.</p>	
<p>4. Internal Audit: Performance report and revised Annual Audit Plan.</p>	<p>Understand the level of assurances being given because of audit work and their impact on the Council's governance, risk and control environment.</p> <p>Ensure management action is taken to improve controls / manage risks identified.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Confirm appropriate progress being made on the delivery of the audit plan and performance targets.</p> <p>Understand any resourcing issues because of changes to the plan.</p>	<p>To consider reports from the Chief Audit Executive on Internal Audit's performance during the year, including the performance of external providers of Internal Audit Services. These will include updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work.</p> <p>To consider summaries of specific internal audit reports as requested.</p> <p>To receive reports outlining the action taken where the Chief Audit Executive has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.</p>

**Appendix A: Audit Committee Work Plan – 2024/25**

Report	Assurances Required / Being Sought	Relevancy – Terms of Reference
		To approve significant interim changes to the risk based internal audit plan and resource requirements.
5. Section 151 Officer: Treasury Strategy Mid-Year report.	Provide assurance on the treasury activities for Shropshire Council, including the investment performance of the internal Treasury team.	<p>To receive regular reports on activities, issues and trends to support the Committee's understanding of treasury management activities. The Committee is not responsible for the regular monitoring of treasury management activity.</p> <p>To review the treasury risk profile and adequacy of treasury risk management procedures and assurances on treasury management.</p>
6. Section 151 Officer: Annual Audit Committee self-assessment.	Confirmation that the Audit Committee is working effectively and where any further improvements are identified to improve its overall effectiveness, there are plans to implement these.	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
7. External Audit: Audit progress report and sector update.	<p>Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.</p> <p>The paper also includes:</p> <ul style="list-style-type: none"> <li>•a summary of emerging national issues and developments that may be relevant to the Council; and</li> <li>•challenge questions in respect of these emerging issues which the Committee may wish to consider.</li> </ul>	<p>To consider specific reports as agreed with the External Auditor and other inspection agencies.</p> <p>To comment on the scope and depth of external audit work and to ensure it gives value for money.</p>

**Appendix A: Audit Committee Work Plan – 2024/25**

<b>Report</b>	<b>Assurances Required / Being Sought</b>	<b>Relevancy – Terms of Reference</b>
8. External Audit: Certification Summary report.	Seek assurances that claims and returns have been managed appropriately and that there are no significant errors that would result in loss of funding.	To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
9. Internal Audit: Fraud, special investigations and RIPA update.	Provide assurances and an 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.	To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption. To monitor the counter-fraud, bribery and corruption strategy, actions and resources.
<b>Other assurance</b>		
10. None planned.		
<b>Core business: 6 February 2025</b>		
1. Risk and Business Continuity Manager: Strategic Risks update.	Assurances that the management of strategic risks which is a key process that underpins the successful achievement of the Council's priorities and outcomes is robust. Strategic risks are a key aspect of the Annual Governance Statement. Provide information to confirm to the Audit Committee that they are receiving assurances on the key risk areas within the Council and how these are being managed through the internal controls and governance processes.	To monitor the effective development and operation of risk management in the Council.
2. Section 151 Officer: Treasury Strategy.	Provides assurances that the Council's Treasury Management practice complies with CIPFA's Code of	To consider the robustness of the Council's treasury management strategy, policies and

**Appendix A: Audit Committee Work Plan – 2024/25**

<b>Report</b>	<b>Assurances Required / Being Sought</b>	<b>Relevancy – Terms of Reference</b>
	Practice on Treasury Management, the Council's Treasury Policy Statement, Treasury Management Practices and the Prudential Code for Capital Finance and together with the rigorous internal controls will enable the Council to manage the risk associated with Treasury Management activities and reduce any potential for financial loss.	procedures before their submission to Cabinet and Full Council, ensuring that controls are satisfactory.
3. Internal Audit: Report of the audit review of Risk Management.	Provides independent assurance on the overall control environment for the Risk Management system that the Council is effectively managing its key risks – has good risk management systems / processes in place that enable decision makers to understand the level of risk being taken and the Council is prepared to accept.	To monitor the effective development and operation of risk management in the Council.
4. Internal Audit: Performance report and revised Annual Audit Plan.	<p>Understand the level of assurances being given because of audit work and their impact on the Council's governance, risk and control environment.</p> <p>Ensure management action is taken to improve controls / manage risks identified.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Confirm appropriate progress being made on the delivery of the audit plan and performance targets.</p>	<p>To consider reports from the Chief Audit Executive on Internal Audit's performance during the year, including the performance of external providers of Internal Audit Services. These will include updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work.</p> <p>To consider summaries of specific internal audit reports as requested.</p> <p>To receive reports outlining the action taken where the Chief Audit Executive has concluded that management has accepted a level of risk that may</p>

**Appendix A: Audit Committee Work Plan – 2024/25**

<b>Report</b>	<b>Assurances Required / Being Sought</b>	<b>Relevancy – Terms of Reference</b>
	<p>Understand any resourcing issues because of changes to the plan.</p>	<p>be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.</p> <p>To approve significant interim changes to the risk based internal audit plan and resource requirements.</p>
<p>5. Internal Audit: Draft Annual Internal Audit risk-based plan.</p>	<p>That the Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Chief Audit Executive's opinion.</p> <p>Confirm that the plan achieves a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year.</p> <p>Ensure that the Internal Audit Resource has sufficient capacity and capability to deliver the plan.</p> <p>Seek an understanding of what assurances Internal Audit will be providing the Committee to help it discharge its terms of reference.</p> <p>Gain assurance that the Council has effective arrangements in place to fight fraud locally and that counter fraud resources are targeted to the Council's key fraud risks.</p>	<p>To approve, but not direct, the risk-based internal audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.</p> <p>To make appropriate enquiries of both management and the Chief Audit Executive to determine if there are any inappropriate scope or resource limitations.</p>

**Appendix A: Audit Committee Work Plan – 2024/25**

<b>Report</b>	<b>Assurances Required / Being Sought</b>	<b>Relevancy – Terms of Reference</b>
6. Internal Audit: Draft Audit Committee annual work plan and future training requirements.	Assurance that the agreed plan of work for the year ahead will deliver against the terms of reference of the Audit Committee and that Members will receive appropriate learning and development to deliver their responsibilities effectively.	To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
7. Internal Audit: Fraud, special investigations and RIPA update.	Provide assurances and an 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.	To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption. To monitor the counter-fraud, bribery and corruption strategy, actions and resources.
8. External Audit: Annual Plan.	Evidence that the External Auditor understands the Council's business, risk, challenges and opportunities it is facing. Explanation of its audit approach and the scope of its plans.	To comment on the scope and depth of external audit work and to ensure it gives value for money.
9. External Audit: Informing the risk assessment.	As part of External Audit's risk assessment procedures, they obtain an understanding of management processes and the Audit Committee's oversight of the following areas: <ul style="list-style-type: none"> <li>• Fraud</li> <li>• Laws and regulations</li> <li>• Going concern</li> <li>• Related party transactions</li> <li>• Accounting estimates</li> </ul> This report includes a series of questions on each of these areas and the response we have received from the Council's management, for Audit Committee to consider whether the responses are consistent with its	To comment on the scope and depth of external audit work and to ensure it gives value for money.



**Appendix A: Audit Committee Work Plan – 2024/25**

<b>Report</b>	<b>Assurances Required / Being Sought</b>	<b>Relevancy – Terms of Reference</b>
	understanding and whether there are any further comments it wishes to make.	
10. External Audit: Audit progress report and sector update.	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.  The paper also includes: •a summary of emerging national issues and developments that may be relevant to the Council; and •several challenge questions in respect of these emerging issues which the Committee may wish to consider.	To consider specific reports as agreed with the External Auditor and other inspection agencies.  To comment on the scope and depth of external audit work and to ensure it gives value for money.
<b>Other assurance</b>		
11. None planned		

**APPENDIX A**

**Audit Committee Work Plan 2024/25 Summary**

<b>Audit Committee Work Plan 2024/25</b>	<b>9 May 2024</b>	<b>13 June 2024</b>	<b>27 June 2024</b>	<b>17 July 2024</b>	<b>12 Sept 2024</b>	<b>27 Sept 2024</b>	<b>28 Nov 2024</b>	<b>23 Jan 2025</b>	<b>6 Feb 2025</b>	<b>Report originator</b>
<b>Training Sessions</b>		✓			✓			✓		
<b>Regular Committees</b>	✓		✓	✓		✓	✓		✓	
Election of Chair and Vice Chair	✓									
Statement of Accounts – preparation of draft and sign off (Statutory deadline 31 May 2024 <sup>1</sup> )			✓							Section 151 Officer
Annual Governance Statement (AGS) and review of the effectiveness of the Council's internal controls and Shropshire Council's Code of Corporate Governance			✓							Section 151 Officer
Financial Outturn Report			✓							Section 151 Officer
Blue Badge Service Management Update				✓						Licensing Manager
Risk Annual Report				✓						Risk and Business Continuity Manager
Internal Audit Annual Report				✓						Internal Audit
Annual review of Internal Audit: Quality Assurance and Improvement Programme (QAIP)				✓						Section 151 Officer

<sup>1</sup> This is the deadline for the draft accounts to be published and sent to External Audit

<b>Audit Committee Work Plan 2024/25</b>	<b>9 May 2024</b>	<b>13 June 2024</b>	<b>27 June 2024</b>	<b>17 July 2024</b>	<b>12 Sept 2024</b>	<b>27 Sept 2024</b>	<b>28 Nov 2024</b>	<b>23 Jan 2025</b>	<b>6 Feb 2025</b>	<b>Report originator</b>
Annual Assurance Report of Audit Committee to Council				✓						Internal Audit
Annual Whistleblowing report				✓						Assistant Director Workforce
Annual Treasury Report				✓						Section 151 Officer
Audit Fee Letter				✓						External Audit
Audit Progress Report and Sector Update				✓		✓	✓		✓	External Audit
Fraud, special investigations and RIPA Updates (part 2)				✓		✓	✓		✓	Internal Audit
Pension Fund Audit Plan (information)				✓						External Audit
Audit Findings Report Shropshire Council as part of faster closedown processes. (Audit opinion complete and publication of final accounts, 30th September).						✓				External Audit
Final approval - Statement of Accounts						✓				Section 151 Officer
Strategic Risks update						✓			✓	Risk and Business Continuity Manager
Performance Report and revised Annual Audit Plan				✓		✓	✓		✓	Internal Audit

<b>Audit Committee Work Plan 2024/25</b>	<b>9 May 2024</b>	<b>13 June 2024</b>	<b>27 June 2024</b>	<b>17 July 2024</b>	<b>12 Sept 2024</b>	<b>27 Sept 2024</b>	<b>28 Nov 2024</b>	<b>23 Jan 2025</b>	<b>6 Feb 2025</b>	<b>Report originator</b>
Audit Findings: Shropshire County Pension Fund (Information)						✓				External Audit
Annual Audit Letter						✓				External Audit
Annual review of Audit Committee Terms of Reference							✓			Internal Audit
Annual review of Internal Audit Charter							✓			Internal Audit
Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities; including an update on the National Fraud Initiative (NFI)							✓			Internal Audit
Treasury Strategy Mid-Year Report							✓			Section 151 Officer
Annual Audit Committee Self-Assessment							✓			Section 151 Officer
Certification Summary Report							✓			External Audit
Treasury Strategy									✓	Section 151 Officer
Report of the Audit Review of Risk Management									✓	Internal Audit
Draft Annual Internal Audit Risk Based Plan									✓	Internal Audit
Draft Audit Committee annual work plan and future training requirements									✓	Internal Audit
Audit Plan									✓	External Audit

Audit Committee Work Plan 2024/25	9 May 2024	13 June 2024	27 June 2024	17 July 2024	12 Sept 2024	27 Sept 2024	28 Nov 2024	23 Jan 2025	6 Feb 2025	Report originator
Informing the risk assessment									✓	External Audit

**Key to table**

Committee dates - fixed
Training dates

## Appendix B

### Audit Committee Members development topics

Core areas of knowledge	Specialist knowledge that adds value to the Audit Committee	Core skills
Organisational knowledge Audit committee role and function Governance Internal audit Financial management and accounting External audit Risk management Counter fraud, bribery, corruption and whistleblowing Values of good governance Treasury management	Accountancy Internal audit Risk management Governance and legal Service knowledge relevant to the different Council functions Programme and project management IT systems and IT governance	Strategic thinking and understanding of materiality Questioning and constructive challenge Focus on improvement Able to balance practicality against theory Clear communication skills and focus on the needs of users Objectivity Meeting management skills

DSG 42



## Committee and Date

Audit Committee

22<sup>nd</sup> February 2024

10:00am

Item

Public



## Internal Audit Performance 2023/24

<b>Responsible Officer:</b>	Barry Hanson		
email:	barry.hanson@shropshire.gov.uk	Tel:	07990 086409
<b>Cabinet Member (Portfolio Holder):</b>	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder – Finance, Corporate Resources and Communities		

### 1. Synopsis

This report summarises Internal Audit's 2023/24 work to date. Delivery is in line with previous delivery records. 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 three months since the November Audit Committee. 71% percent of the revised plan has been completed (see **Appendix A, Table 1**), which is in line with previous delivery records (64% 2022/23, 73% 2021/22).
- 2.2. One good, seven reasonable, two limited and two unsatisfactory assurance opinions have been issued. The 12 final reports contained 86 recommendations, two of which were fundamental.
- 2.3. This report proposes minor revisions in the coverage of planned activity for Shropshire Council, with a small increase of 11 days from 1,228 days reported in November 2023 to 1,239. Changes to the planned activity reflect adjustments considering both risks and available resources. Revisions to the plan are targeted to provide enough activity to inform an end of year opinion.

- 2.4. 2023 has been a challenging year for the Internal Audit team. Several staff leaving has reduced available resources and impacted the delivery of planned Internal Audit work as reported at the September and November 2023 Audit Committee meetings. A further recruitment drive is currently underway to increase capacity for the 2024/25 financial year.
- 2.5. It is important to note however, that whilst the reduction in available resources has had a significant impact in year, core audit work has been undertaken or is planned in the final quarter to enable the Chief Audit Executive (CAE) to form an overall opinion on the Council's internal control environment and report this accordingly. This is the overriding measure to demonstrate that the internal audit function ultimately remains effective for the authority.
- 2.6. 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

- 3.1. The Committee is asked to consider and endorse, with appropriate comment;
  - a. the performance of Internal Audit against the 2023/24 Audit Plan.
  - b. 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 8.4 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.

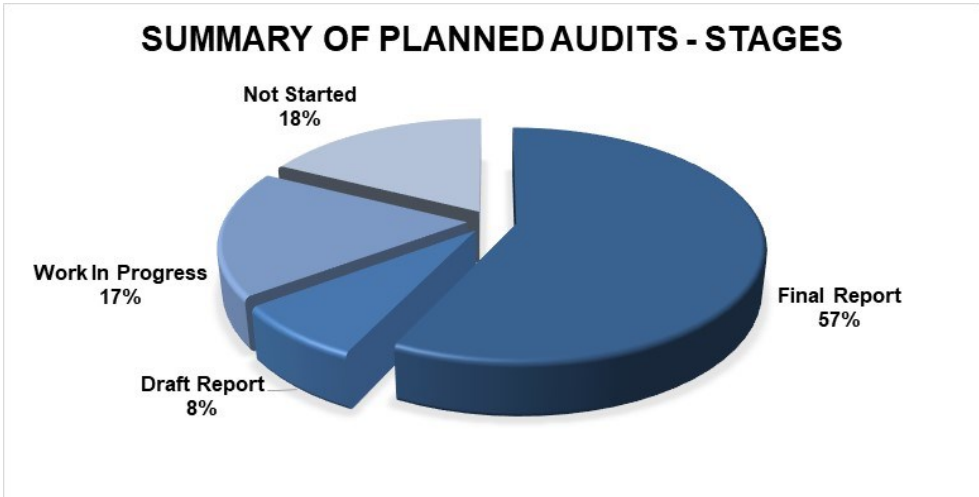
## 7. Background

- 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 with delegated authority under the Constitution to monitor progress on the work of Internal Audit.
- 7.2. The 2023/24 Internal Audit Plan was presented to, and approved by the Audit Committee at the 14<sup>th</sup> February 2023 meeting with adjustments being approved in September and November. This report provides an update on progress made against the plan up to 19<sup>th</sup> January 2024 and includes revisions to the plan.

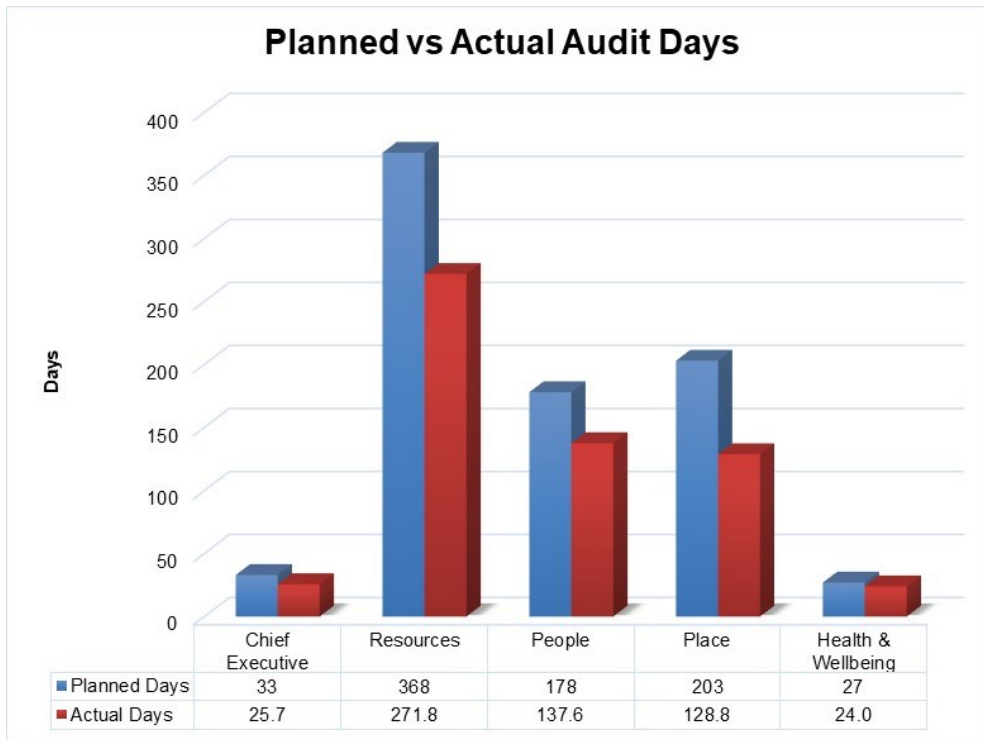
## 8. Performance Against the Plan 2023/24

- 8.1. Revisions to the 2023/24 plan provide for a total of 1,239 audit days. Performance to date is in line with previous delivery records at 71% (64% 2022/23, 73% 2021/22), the team are on track to deliver a minimum of 90% of the revised annual plan by the year end.

- 8.2. 2023 has been a challenging year for the Internal Audit team. Several staff leaving has reduced available resources and impacted the delivery of planned Internal Audit work as reported at the September and November 2023 Audit Committee meetings. Recruitment campaigns undertaken during 2023 have been unsuccessful.
- 8.3. It is important to note however, that whilst the reduction in available resources has had a significant impact in year, core audit work has been undertaken or is planned in the final quarter to enable the Chief Audit Executive (CAE) to form an overall opinion on the Council’s internal control environment and report this accordingly. This is the overriding measure to demonstrate that the internal audit function ultimately remains effective for the authority.
- 8.4. As discussed in previous committee meetings there is a national shortage of qualified and experienced auditors not only within internal audit but external audit too. Management are taking all necessary steps to address the vacancies within the team.
- 8.5. Recognising the need for immediate action in relation to the vacant posts, a further recruitment drive commenced in January 2024 is currently underway to increase capacity for the 2024/25 financial year. An updated approach to the structure and job roles has been implemented in the hope of appealing more to external candidates. It is envisaged that the current recruitment campaign will be completed by the end of March 2024.
- 8.6. All current staff within the Internal Audit team are experienced and qualified holding either IIA, ACCA, or CIPFA professional qualifications. This is a sound base from which to build a team for the future.
- 8.7. In total, 12 final reports have been issued in the period from 21<sup>st</sup> October 2023 to 19<sup>th</sup> January 2024, all are listed with their assurance rating and broken down by service area at **paragraph 8.9**. The year-to-date position is shown at **Appendix A, Table 2**. The following chart shows performance against the approved Internal Audit Plan for 2023/24:



- 8.8. Audits have been completed over several service areas as planned:

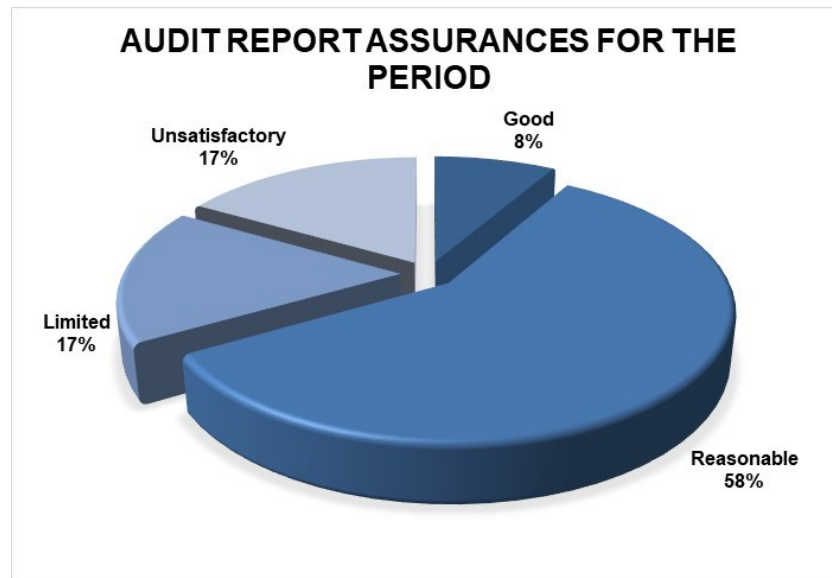


8.9. The following audits have been completed in the period:

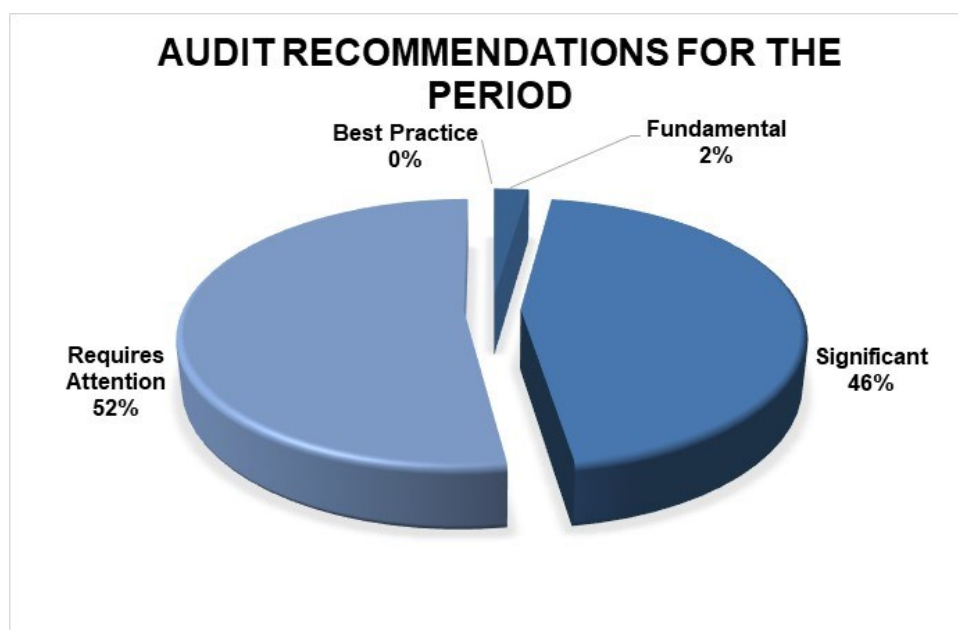
Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
<b>Chief Executive</b>								
Strategic Framework Project - Customer Service Spending Reduction		1				2	1	
Strategic Framework Project - Reablement and Care Home Projects		1				1	1	
Strategic Framework Project - Shire Services		1				1		
	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>0</b>
<b>People - Children</b>								
Education Access Service		1				1	6	
Other, including added value and briefing notes						7	1	
	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>7</b>	<b>0</b>
<b>Place</b>								
Shropshire Archives		1				5	3	
Much Wenlock Sports Centre-Joint Use				1		7	18	

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
North West Relief Road (NWRR)				1	2	8	3	
Other, including added value and briefing notes							4	
	0	1	0	2	2	20	28	0
<b>Resources - Finance and Technology</b>								
Medium Term Financial Strategy	1							
Antivirus Controls		1				2	2	
IT Change Management		1				1		
Out of County IT Equipment Delivery			1			2	5	
Privileged User Security			1			2	1	
	1	2	2	0	0	7	8	0
<b>Total</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>39</b>	<b>45</b>	<b>0</b>
	8%	58%	17%	17%	2%	46%	52%	0%

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



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



8.12. In the period up to the 19<sup>th</sup> January 2024, eight reports have been issued providing good or reasonable assurances and accounting for 66% of the opinions delivered. This represents an increase in the higher levels of assurance for this period, compared to the previous year outturn of 62 %. This is offset by a corresponding decrease in limited and unsatisfactory assurances, currently 34% for the period compared to the previous year outturn of 38 %. There is no strong overall pattern of areas attracting lower assurances ratings however, Resources and Place directorates have the highest numbers of lower levels of assurance at this point.

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**.

[Question 1: Do Members wish to receive any updates from managers in relation to the limited and unsatisfactory assurances opinions?](#)

8.14. Seven 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.

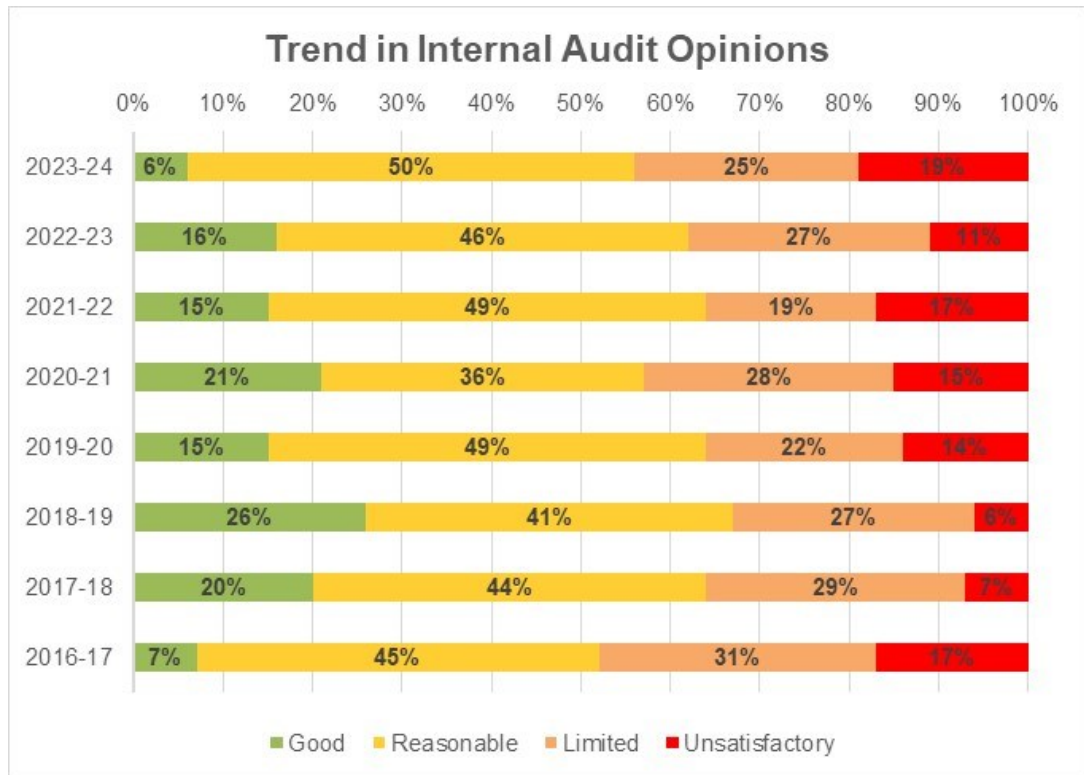
8.15. A total of 86 recommendations have been made in the 12 final audit reports issued during this period; these are broken down by service area at paragraph 8.6, the year-to-date position is shown at **Appendix A, Table 2**. Two fundamental recommendations have been identified, these are to be covered in the private agenda.

8.16. It is the identified manager'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.

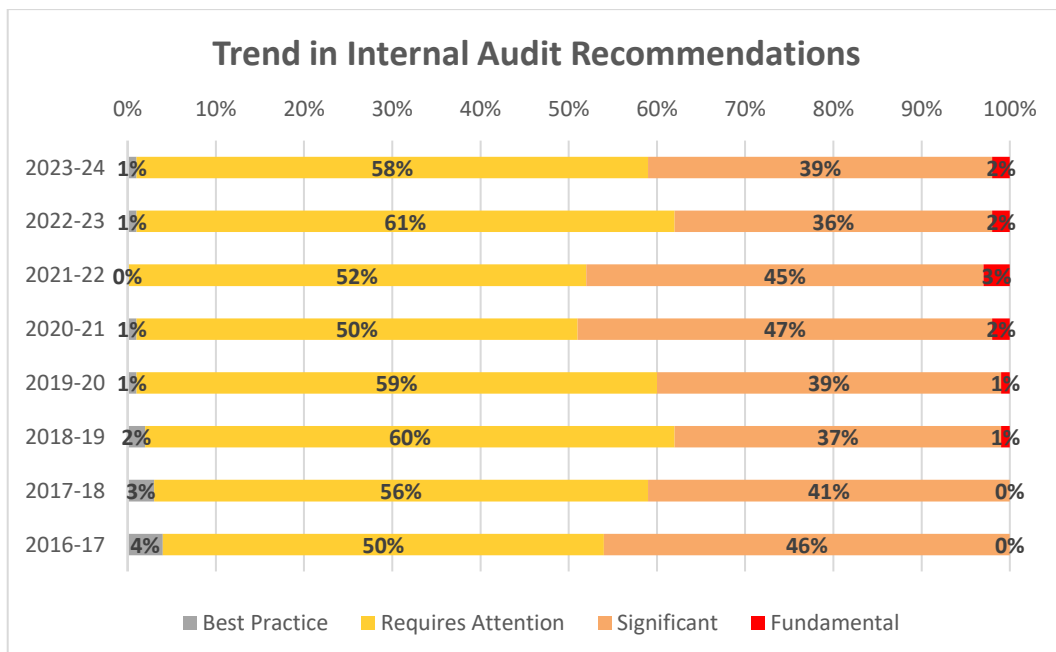
### Direction of travel

8.17. This section compares the assurance levels (where given), and categorisation of recommendations made, to demonstrate the direction of travel in relation to the control environment.

#### Comparison of Assurance Levels (where given)



#### Comparison of recommendation by categorisation



8.18. The number of lower-level assurances to date, 44%, is slightly higher than the outturn for 2022/23 of 41%. Full details of the audits completed and their assurance opinions can be found at **Appendix A, Table 2**.

### 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 23<sup>rd</sup> November 2023

Internal Audit Performance and Revised Annual Audit Plan 2023/24 – Audit Committee 28<sup>th</sup> September 2023

Draft Internal Audit Risk Based Plan 2023/24 - Audit Committee 14<sup>th</sup> February 2023

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

**Local Member:** All

### Appendices

#### **Appendix A**

Table 1: Summary of actual audit days delivered against plan 1<sup>st</sup> April 2023 to 19<sup>th</sup> January 2024

Table 2: Final audit report assurance opinions and recommendation summary 1<sup>st</sup> April 2023 to 19<sup>th</sup> January 2024

Table 3: Unsatisfactory and limited assurance opinions in the period 21<sup>st</sup> October 2023 to 19<sup>th</sup> January 2024

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 1<sup>st</sup> April 2023 to 19<sup>th</sup> January 2024

**APPENDIX A**

**Table 1: Summary of actual audit days delivered and revisions to the audit plan in the period from 1<sup>st</sup> April 2023 to 19<sup>th</sup> January 2024**

	Original Plan	Revised Plan	19 <sup>th</sup> January 2024 Actual	% of Original Complete	% of Revised Complete
Chief Executive	28	33	25.7	92%	78%
Health and Wellbeing	25	27	24.0	96%	89%
People	123	178	137.6	112%	77%
Adult Services	28	33	19.8	71%	60%
Children's Services	54	97	49.3	91%	51%
Education and Achievement	41	48	68.5	167%	143%
Place	219	203	128.8	59%	63%
Resources	325	368	271.8	84%	74%
Finance and Technology	235	237	156.6	67%	66%
Legal and Governance	38	42	22.2	58%	53%
Workforce and Improvement	52	89	93.0	179%	104%
<b>S151 Planned Audit</b>	<b>720</b>	<b>809</b>	<b>587.9</b>	<b>82%</b>	<b>73%</b>
Contingencies and other chargeable work	880	192	137.3	16%	72%
<b>Total S151 Audit</b>	<b>1,600</b>	<b>1,001</b>	<b>725.2</b>	<b>45%</b>	<b>72%</b>
External Clients	199	238	152.7	77%	64%
<b>Total</b>	<b>1,799</b>	<b>1,239</b>	<b>877.9</b>	<b>49%</b>	<b>71%</b>

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 - 1<sup>st</sup> April 2023 to 19<sup>th</sup> January 2024**

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
<b>Chief Executive</b>								
Strategic Transformation Partner Framework		1				3	4	
Communications - Brand Roll Out 2022/23		1					3	1



Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Strategic Framework Project - Customer Service Spending Reduction		1				2	1	
Strategic Framework Project - Reablement and Care Home Projects		1				1	1	
Strategic Framework Project - Shire Services		1				1		
	0	5	0	0	0	7	9	1
<b>Health and Wellbeing</b>								
Community Safety 2022/23		1				1	1	
Health and Wellbeing Board Governance 2022/23		1				2		
Private Water Supplies 2022/23			1			3	6	
	0	2	1	0	0	6	7	0
<b>People - Adults</b>								
Personal Allowances 2022/23		1				1	1	
Comforts Funds Review - Albert Road 2022/23			1			3	4	
Comforts Fund Reviews - Abbots Wood 2022/23				1		5	3	
Comforts Fund Reviews - Aquamira 2022/23				1		5	5	
	0	1	1	2	0	14	13	0
<b>People - Children</b>								
Education Access Service		1				1	6	
Brockton Primary School			1			11	8	
Other, including added value and briefing notes						8	3	
	0	1	1	0	0	20	17	0
<b>Place</b>								
Property Sales and Acquisitions 2022/23	1							1
Planning 2022/23		1				1	2	
Trading Standards 2022/23		1					4	
Grey Fleet 2022/23		1				1	6	
Shropshire Archives		1				5	3	
Blue Badge Scheme 2022/23			1			1	9	
Licensing 2022/23			1			5	8	
School Planning and Transport Arrangements 2022/23			1			5	3	
Security of Council Buildings - Health and Safety			1			4	6	

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Montagu Evans Contract Management				1		3		
Leisure Services Contracts				1		12	9	
Highways - Other Major Contracts 2022/23				1	1	2	1	
Much Wenlock Sports Centre- Joint Use				1		7	18	
North West Relief Road (NWRR)				1	2	8	3	
Other, including added value and briefing notes							4	
	<b>1</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>54</b>	<b>76</b>	<b>1</b>
<b>Resources - Finance and Technology</b>								
Construction Industry Tax Deduction Scheme (CIS) 2022/23	1						3	
Medium Term Financial Strategy	1							
Debt Recovery 2022/23		1				3	4	
Sales Ledger 2022/23		1				2	4	
Budget Management and Control 2022/23		1				1	2	
Insurance 2022/23		1				1	4	
End User Computing 2022/23		1					2	
Internet Security follow up 2022/23		1				1	5	
Management of Log Files 2022/23		1					6	
Housing Benefits 2022/23		1				2	8	
Northgate - Revenues and Benefits Application 2022/23		1					3	
Antivirus Controls		1				2	2	
IT Change Management		1				1		
Physical & Environmental Controls			1			3	5	
Out of County IT Equipment Delivery			1			2	5	
Privileged User Security			1			2	1	
Disposal of IT Equipment				1	1	3	4	
IT Contract Management 2022/23				1	1	2	1	
	<b>2</b>	<b>11</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>25</b>	<b>59</b>	<b>0</b>
<b>Resources - Workforce and Improvement</b>								
Sickness Management and Other Leave 2022/23		1				1	7	1
Occupational Health 2022/23		1				1	3	
Diversity Arrangements 2022/23			1			3	4	
Recruitment Arrangements 2022/23			1			3	5	
Travel and Expenses 2022/23			1			3	3	
Other, including added value and briefing notes						3	1	

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
	0	2	3	0	0	14	23	1
<b>Resources - Legal and Governance</b>								
Whatsapp				1	1			
	0	0	0	1	1	0	0	0
<b>Total</b>	<b>3</b>	<b>26</b>	<b>13</b>	<b>10</b>	<b>6</b>	<b>140</b>	<b>204</b>	<b>3</b>
%	6%	50%	25%	19%	2%	39%	58%	1%

**Table 3: Unsatisfactory and limited assurance opinions issued in the period from 21<sup>st</sup> October 2023 to 19<sup>th</sup> January 2024<sup>1</sup>**

**Unsatisfactory assurance<sup>2</sup>**

**Place – Much Wenlock Sports Centre – Joint Use (Unsatisfactory 2022/23 and 2019/20)**

- 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
- 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.
- Appropriate procedures are in place for the security of staff and material assets.

**Limited assurance**

**Resources– Privileged User Security (Reasonable 2019/20)**

- Standards are in place governing the assignment and use of privileged accounts
- Privileged user activity is logged and routinely monitored

**Resources – Out of County IT Equipment Delivery**

- Administration of IT equipment is undertaken in line with Corporate Policies for starters
- Administration of IT equipment is undertaken in line with Corporate Policies for leavers.

<sup>1</sup> 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.

<sup>2</sup> Details of the controls not in place for the North West Relief Road and included on the private agenda.

**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:**

<b>Good</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>Unsatisfactory</b>	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**

<b>Best Practice (BP)</b>	Proposed improvement, rather than addressing a risk.
<b>Requires Attention (RA)</b>	Addressing a minor control weakness or housekeeping issue.
<b>Significant (S)</b>	Addressing a significant control weakness where the system may be working but errors may go undetected.
<b>Fundamental (F)</b>	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.

### **Chief Audit Executive Annual Opinion**

The rating, conclusion and/or other description of results provided by the Chief Audit Executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Chief Audit Executive 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 1<sup>st</sup> APRIL 2023 TO 19<sup>th</sup> JANUARY 2024

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	19th January 2024 Actual	% of Original Complete	% of Revised Complete
<b>CHIEF EXECUTIVE</b>								
Governance	28	10	-5	0	33	25.7	92%	78%
Communications	0	0	0	0	0	0.0	0%	0%
<b>CHIEF EXECUTIVE</b>	<b>28</b>	<b>10</b>	<b>-5</b>	<b>0</b>	<b>33</b>	<b>25.7</b>	<b>92%</b>	<b>78%</b>
<b>RESOURCES</b>								
<b>Finance and Technology</b>								
Finance Transactions	20	13	0	0	33	33.4	167%	101%
Finance and S151 Officer	63	-21	-4	-6	32	24.0	38%	75%
Financial Management	36	-18	0	0	18	6.0	17%	33%
ICT	100	30	-20	8	118	81.1	81%	69%
Information Governance	16	4	0	0	20	7.8	49%	39%
Revenues and Benefits	0	4	0	0	4	4.2	0%	105%
Treasury	0	12	0	0	12	0.1	0%	1%
	<b>235</b>	<b>24</b>	<b>-24</b>	<b>2</b>	<b>237</b>	<b>156.6</b>	<b>67%</b>	<b>66%</b>
<b>Workforce and Improvement</b>								
Insurance	10	1	0	0	11	9.8	98%	89%
Human Resources	42	33	-8	7	74	79.5	189%	107%
Occupational Health & Safety	0	4	0	0	4	3.7	0%	93%
	<b>52</b>	<b>38</b>	<b>-8</b>	<b>7</b>	<b>89</b>	<b>93.0</b>	<b>179%</b>	<b>104%</b>
<b>Legal and Governance</b>								
Procurement	38	0	-6	0	32	22.1	58%	69%
Elections	0	10	0	0	10	0.1	0%	1%
	<b>38</b>	<b>10</b>	<b>-6</b>	<b>0</b>	<b>42</b>	<b>22.2</b>	<b>58%</b>	<b>53%</b>

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	19th January 2024 Actual	% of Original Complete	% of Revised Complete
<b>RESOURCES</b>	<b>325</b>	<b>72</b>	<b>-38</b>	<b>9</b>	<b>368</b>	<b>271.8</b>	<b>84%</b>	<b>74%</b>
<b>PEOPLE</b>								
<b>Joint Commissioning</b>								
Commissioning and Governance	8	-8	0	0	0	0.0	0%	0%
Community and Partnerships	0	18	0	0	18	17.7	0%	98%
Business Support	5	-5	0	0	0	0.0	0%	0%
	<b>13</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>17.7</b>	<b>136%</b>	<b>98%</b>
<b>Adult Social Care</b>	<b>15</b>	<b>8</b>	<b>-8</b>	<b>0</b>	<b>15</b>	<b>2.1</b>	<b>14%</b>	<b>14%</b>
<b>Education and Achievement</b>								
Business Support	0	0	0	0	0	0.0	0%	0%
Education and Achievement	8	11	0	0	19	17.6	220%	93%
Primary/Special Schools	33	-14	0	0	19	19.1	58%	101%
Secondary Schools	0	10	0	0	10	31.8	0%	318%
	<b>41</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>68.5</b>	<b>167%</b>	<b>143%</b>
<b>Children's Social Care and Safeguarding</b>								
Children's Placement Services & Joint Adoption	40	31	-10	8	69	36.0	90%	52%
Assessment & Looked After Children	0	12	0	0	12	0.1	0%	1%
	<b>40</b>	<b>43</b>	<b>-10</b>	<b>8</b>	<b>81</b>	<b>36.1</b>	<b>90%</b>	<b>45%</b>
<b>Early Help, Partnership and Commissioning</b>	<b>14</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>13.2</b>	<b>94%</b>	<b>83%</b>

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	19th January 2024 Actual	% of Original Complete	% of Revised Complete
<b>PEOPLE</b>	<b>123</b>	<b>65</b>	<b>-18</b>	<b>8</b>	<b>178</b>	<b>137.6</b>	<b>112%</b>	<b>77%</b>
<b>PLACE</b>								
<b>Business Enterprise and Commercial Services</b>								
Property and Development	26	7	-10	0	23	15.2	58%	66%
Development Management	0	0	0	0	0	0.0	0%	0%
	<b>26</b>	<b>7</b>	<b>-10</b>	<b>0</b>	<b>23</b>	<b>15.2</b>	<b>58%</b>	<b>66%</b>
<b>Economy and Place</b>								
Business Growth and Investment	8	14	3	0	25	17.3	216%	69%
Development Management	0	8	0	0	8	0.2	0%	3%
Environment and Sustainability	5	-5	0	0	0	0.2	4%	0%
Project Development	15	-14	0	0	1	1.1	7%	110%
	<b>28</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>34</b>	<b>18.8</b>	<b>67%</b>	<b>55%</b>
<b>Infrastructure and Communities</b>								
Highways	68	-22	9	-5	50	29.9	44%	60%
Public Transport	10	-2	0	0	8	8.5	85%	106%
Library Services	10	-10	0	0	0	0.0	0%	0%
	<b>88</b>	<b>-34</b>	<b>9</b>	<b>-5</b>	<b>58</b>	<b>38.4</b>	<b>44%</b>	<b>66%</b>
<b>Homes and Communities</b>								
Superintendent Registrar	10	-10	0	0	0	0.0	0%	0%
Business and Consumer Protection	8	12	0	0	20	9.0	113%	45%
Bereavement	15	-15	0	0	0	0.0	0%	0%
Leisure Services	18	9	8	0	35	36.4	202%	104%
Theatre Severn and OMH	10	-10	0	0	0	0.0	0%	0%
Visitor Economy	8	-8	11	0	11	10.6	133%	96%
Housing Services	8	14	0	0	22	0.4	5%	2%
	<b>77</b>	<b>-8</b>	<b>19</b>	<b>0</b>	<b>88</b>	<b>56.4</b>	<b>73%</b>	<b>64%</b>



	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	19th January 2024 Actual	% of Original Complete	% of Revised Complete
<b>PLACE</b>	<b>219</b>	<b>-32</b>	<b>21</b>	<b>-5</b>	<b>203</b>	<b>128.8</b>	<b>59%</b>	<b>63%</b>
<b>HEALTH AND WELLBEING</b>								
<b>Public Health</b>								
Public Health	25	-10	-10	0	5	4.5	18%	90%
Ecology and Pest Control	0	12	0	0	12	13.6	0%	113%
Community Safety	0	10	0	0	10	5.9	0%	59%
	<b>25</b>	<b>12</b>	<b>-10</b>	<b>0</b>	<b>27</b>	<b>24.0</b>	<b>96%</b>	<b>89%</b>
<b>HEALTH AND WELLBEING</b>	<b>25</b>	<b>12</b>	<b>-10</b>	<b>0</b>	<b>27</b>	<b>24.0</b>	<b>96%</b>	<b>89%</b>
<b>Total Shropshire Council Planned Work</b>								
	<b>720</b>	<b>127</b>	<b>-50</b>	<b>12</b>	<b>809</b>	<b>587.9</b>	<b>82%</b>	<b>73%</b>
<b>CONTINGENCIES</b>								
Advisory Contingency	60	-40	-10	0	10	5.3	9%	53%
Fraud Contingency	50	0	0	0	50	38.3	77%	77%
Unplanned Audit Contingency	573	-573	0	0	0	0.0	0%	0%
Other non audit Chargeable Work	197	-65	0	0	132	93.7	48%	71%
<b>CONTINGENCIES</b>	<b>880</b>	<b>-678</b>	<b>-10</b>	<b>0</b>	<b>192</b>	<b>137.3</b>	<b>16%</b>	<b>72%</b>
<b>Total for Shropshire</b>	<b>1,600</b>	<b>-551</b>	<b>-60</b>	<b>12</b>	<b>1,001</b>	<b>725.2</b>	<b>45%</b>	<b>72%</b>
<b>EXTERNAL CLIENTS</b>	<b>199</b>	<b>41</b>	<b>-1</b>	<b>-1</b>	<b>238</b>	<b>152.7</b>	<b>77%</b>	<b>64%</b>
<b>Total Chargeable</b>	<b>1,799</b>	<b>-510</b>	<b>-61</b>	<b>11</b>	<b>1,239</b>	<b>877.9</b>	<b>49%</b>	<b>71%</b>



	<b>Committee and Date</b>	Item
	Audit Committee	
	22 <sup>nd</sup> February 2024	
	10:00am	Public
		
		

## Internal Audit Risk Management Report 2023/24

<b>Responsible Officer:</b>	Katie Williams		
email:	<a href="mailto:katie.williams@shropshire.gov.uk">katie.williams@shropshire.gov.uk</a>	Tel:	07584 217067
<b>Cabinet Member</b> (Portfolio Holder):	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee. Gwilym Butler, Portfolio Holder – Finance, Corporate Resources and Communities		

### 1. Synopsis

Following a recent Internal Audit review of the Risk Management system, the overall control environment is assessed as **Reasonable**, with minor control weaknesses identified. The focus of the review was on user compliance with processes around operational and project risks.

### 2. Recommendations

- 2.1. The Committee is asked to consider and endorse, with appropriate comment the findings from the review of Risk Management by Internal Audit.

## Report

### 3. Risk Assessment and Opportunities Appraisal

- 3.1. The management of risk is a key process which underpins successful achievement of the Council's objectives and priorities. It forms part of the Annual Governance Statement and an annual audit is undertaken to ensure that the

processes and protocols are established and embedded facilitating effective decision making.

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

## 4. Financial Implications

- 4.1. 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.

## 5. Climate Change Appraisal

- 5.1. 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.

## 6. Background

- 6.1. As part of the Public Sector Internal Audit Standards (PSIAS 2120), Internal Audit is required to evaluate the effectiveness, and contribute to the improvement, of the risk management process. Information gathered during audit reviews provides an understanding of the Council's risk management processes and their effectiveness. Internal Audit evaluates the Council's risks relating to governance, operations and information systems. It does this in respect of:

- the achievement of the strategic objectives,
- reliability and integrity of financial and operational information,
- efficiency and effectiveness of operations and programmes,
- safeguarding of assets and,
- compliance with laws, regulations, policies, procedures and contracts.

- 6.2. To support the PSIAS, the Audit Committee's Terms of Reference include a requirement to review annually the adequacy of the Council's Risk Management arrangements. The last such review was undertaken in January 2022 and was assessed as 'Good'.

- 6.3. The audit review again included the processes for reviewing and updating operational risk registers and to ensure that projects risks are captured and risks are reported to Senior Management on a regular basis in line with the Opportunity Risk Management Strategy. Strategic risks are reviewed on a bi-annual basis, the outcome of each review is reported to Executive Directors and Informal Cabinet. In addition, the operational risks are reported to the relevant Assistant Director. There are no formal reporting points for project risks, these are allocated to the appropriate project board for management and review. The Risk Management Team continue to be involved with key projects where resources allow.

- 6.4. The Opportunity Risk Management Strategy is reviewed and updated on an annual basis, the last review was completed in January 2023. Face-to-face operational

review training sessions for managers was re-commenced in November 2023 and an online training module is in development.

6.5. The Risk Management Team comprises three full time equivalents and during 2023 a member of the team was on long term absence. Reliance is placed on Managers to complete operational risk reviews with oversight from Service Managers and Assistant Directors.

**Internal Audit Risk Management Report – Executive Summary**

6.6. Audit findings are evaluated to provide a level of assurance on the effectiveness of the system of internal control. These evaluations are defined as ‘Good’, ‘Reasonable’, ‘Limited’ and ‘Unsatisfactory’. Based on the audit work undertaken, the overall control environment the Risk Management system has been assessed as **Reasonable**.

6.7. Evaluation and testing confirmed that there is generally a sound system of control in place but there is evidence of non-compliance with some of the controls.

**Control Objective: Conclusion and Summary of Findings**

6.8. The following table shows the audit opinion against each of the four control objectives.

	<b>AUDIT OBJECTIVE</b>	<b>CONCLUSION AND SUMMARY OF FINDINGS</b>
1.	To confirm there is a robust system in place for the identification, assessment, recording and control and monitoring of operational risk.	<p><b>This control objective is not achieved.</b></p> <p>There is an Opportunity Risk Management Strategy (ORMS) in place which was approved by the Chief Executive in January 2023. The strategy clearly defines roles and responsibilities in relation to risk management.</p> <p>Risks registers demonstrate the link between risks and the outcomes identified in the Shropshire Plan.</p> <p>Operational risks are recorded within SharePoint with service areas responsible for updating these as part of their normal management activities.</p> <p>Project risks should be managed through project boards, the risk team support key projects where resources allow. There are a large number of projects ongoing within the Council and this is an area of increased risk.</p> <p>One significant recommendation was made under this objective in relation to 27% of project risks not being updated in 2023.</p>
2.	Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels determined to be	<p><b>This control objective is not achieved.</b></p> <p>Risks are considered by management and controls should be identified for all risks. Strategic risks are reviewed bi-annually and reported to Executive</p>

	<b>AUDIT OBJECTIVE</b>	<b>CONCLUSION AND SUMMARY OF FINDINGS</b>
	acceptable to management and the board.	<p>Directors and Informal Cabinet. Operational Risks are reported to Assistant Directors on a bi-annual basis with an overarching report provided to Directors. The reporting arrangements are in line with the ORMS.</p> <p>One significant recommendation was made under this objective in relation to 21% of operational risks not being updated in 2023 and incomplete fields being identified with some of the registers.</p>
3.	Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.	<p><b>This control objective is achieved.</b></p> <p>Operational risks are reviewed bi-annually in line with the ORMS and reported to Senior Management.</p> <p>All risks are recorded in SharePoint as live documents, they can be updated by Managers at any time.</p>
4.	The Board and management receive periodic reports of the results of the risk management process.	<p><b>This control objective is achieved.</b></p> <p>Reports in respect of strategic risks are considered quarterly by Informal Cabinet and Executive Directors.</p> <p>In addition to this the Audit Committee receive a strategic risk update on a six-monthly basis.</p>

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

Risk Internal Audit Review

**Local Member:** N/A

**Appendices**

None



## Committee and Date

Audit Committee

22<sup>nd</sup> February 2024

10:00am

Item

Public



## Internal Audit Annual Plan 2024/25

<b>Responsible Officer:</b>	Barry Hanson		
email:	<a href="mailto:barry.hanson@shropshire.gov.uk">barry.hanson@shropshire.gov.uk</a>	Tel:	07990 086409
<b>Cabinet Member (Portfolio Holder):</b>	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder – Finance, Corporate Resources and Communities		

### 1. Synopsis

A risk based Internal Audit Plan will be developed in line with the strategic objectives of the organisation once the current recruitment campaign.

### 2. Executive Summary

2.1. This report provides Members with the proposed approach for the risk based Internal Audit Plan for 2024/25. Due to an ongoing recruitment campaign any plan produced at this point would require significant revision. It is therefore proposed that a full plan will be brought back to the Audit Committee in July for approval once resources for 2024/25 have been confirmed.

### 3. Recommendations

3.1. The Committee is asked to accept the position as set out in the report.

# Report

## 4. Risk Assessment and Opportunities Appraisal

- 4.1. Under the Audit Committee's terms of reference, reviewing the risk-based audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any other work upon which reliance is placed, is an important responsibility.
- 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.
- 4.3. The Internal Audit Annual Plan satisfies both the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015 part 2. The latter sets out the requirements on all relevant authorities in relation to internal control, including requirements in respect of accounting records, internal audit and review of the system of internal control. Specifically:

'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.'

## 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 adaption. However, the work of the Audit Team will look at these aspects relevant to the governance, risk management and control environment of the Council. The majority of audit work will continue to be carried out remotely thereby reducing fuel consumption.

## 7. Background

- 7.1. The provision of a risk based Internal Audit Plan consistent with the Council's goals is an essential part of ensuring probity and soundness of the Council's internal controls, risk exposure and governance framework. The audit plan is usually presented to Audit Committee in advance of the start of the financial year, however, due to an imminent recruitment campaign a full plan will not be developed until resources for 2024/25 have been confirmed.



- 7.2. The audit risk assessment has been reviewed with the Chief Executive, Executive Directors including the s151 Officer and Assistant Directors to ensure that it remains robust and relevant to the needs and risk profile of the Council. The detailed plan will be developed from this risk assessment once resources have been confirmed.
- 7.3. Whilst a formal plan has not been brought to the Committee for approval a draft plan is in place for work to be completed between April and July 2024 as follows:
- Completion of the remaining work in progress 2023/24;
  - The outstanding audits on the call off list for 2023/24;
  - Follow up audits with low assurance levels and fundamental recommendations.
- 7.4. As previously reported to the Committee, there are several vacancies within the Internal Audit team. Therefore, any audit plan at this stage would be subject to significant revision. It is therefore a more prudent use of current resources to produce a fully informed plan once resources for the year can be determined.
- 7.5. The recruitment process commenced early February with an indicative completion of early March 2024. Subject to successful appointment to the posts, the resources available will inform the full audit plan for 2024/25.
- 7.6. The slight delay in the development of the audit plans for 2024/25 will allow for consideration of any additional business risk areas highlighted as part of the budget setting process for the next financial year and any changes in strategic risks.

## 8. Conclusions

- 8.1. To develop a fully informed internal plan for 2024/25 based on updated resources available, this will be documented following the completion of the current recruitment campaign. This has been considered by the S151 Officer, and he agrees with the proposed approach.

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

Audit universe and resources analysis  
 Public Sector Internal Audit Standards  
 CIPFA Audit Committees, Practical Guidance for Local Authorities and Police, 2022 edition  
 Accounts and Audit Regulations  
 Risk in Focus – Hot topics for Internal Auditors ECIA 2023

**Local Member:** N/A

**Appendices** None

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