



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
28 June 2018	
13:30pm	<u>Public</u>

INTERNAL AUDIT ANNUAL REPORT 2017/18

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1. Summary

This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2018. It informs on delivery against the approved annual audit plan and includes the Head of Audit's opinion on the Council's internal controls, as required by the Public Sector Internal Audit Standards (PSIAS). This in turn, contributes to delivering the Accounts and Audit Regulations 2015 requirement to have internal audit, 'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

Final performance has been good with the revised plan being delivered in excess of the 90% delivery target, in compliance with the Public Sector Internal Audit Standards and to the satisfaction of customers. Seventy good and reasonable assurances were made in the year accounting for 64% of the opinions delivered. This represents a 12% increase in the higher levels of assurance compared to the previous year, offset by a 12% decrease in limited and unsatisfactory opinions.

Given the high-level assurances related to key financial systems and results of audit reviews across the control environment, an unqualified Head of Audit's Year-end opinion can result. This reflects significant improvements in key areas of internal control and focus should continue to ensure these are maintained and built upon.

2. Recommendations

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

- a) Performance against the Audit Plan for the year ended 31 March 2018.
- b) That Internal Audit have evaluated the effectiveness of the Council's risk management, control and governance processes, taking into account public sector internal auditing standards or guidance, the results of which can be used when considering the internal control environment and the Annual Governance Statement for 2017/18.

- c) The Head of Audit's unqualified year end opinion on the Council's internal control environment for 2017/18 on the basis of the work undertaken and management responses received.

REPORT

3. Risk assessment and opportunities appraisal

- 3.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Council's financial and risk management systems and procedures, and is closely aligned to the Council's strategic and operational risk registers. The Plan is delivered in an effective manner; where Internal Audit independently and objectively examine, evaluate and report on the adequacy of its customers' control environments as a contribution to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying areas for improvement or potential weaknesses, and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal control creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss, poor value for money and reputational damage.
- 3.2 Internal Audit operates a strategic risk based plan. This approach to audit planning has been referenced as an example of best practice in CIPFA's "It's a Risky Business 2014" publication. The plan is revisited each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. This results in a comprehensive range of audits being undertaken in the year, supporting the overall opinion on the control environment. The plan contains a contingency provision which can be utilised during the year to respond to unforeseen work demands that may arise, i.e. special investigations and advice.
- 3.3 The next twelve months continues to see the need to deliver significant budget savings as the Council maintains its journey towards a commissioner of services. This reduction of resources against changes to the delivery of services is expected to continue to impact on systems, processes, structures and governance models, which will impact on the internal control environment. The management of risk will continue to play a key role in delivering the Council's Corporate Plan and Financial Strategy. Internal Audit will need to reflect the Council's needs and be resourced and skilled appropriately to continue to provide the appropriate level of advice and assurance on the effectiveness of the internal control environment during this ongoing period of major change and high risk.
- 3.4 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.
- 3.5 There are no direct environmental, equalities or climate change consequences of this proposal.
- 3.6 Internal Audit customers are consulted on the service that they receive. Feedback is included in this report and continues to be very positive.

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. Background

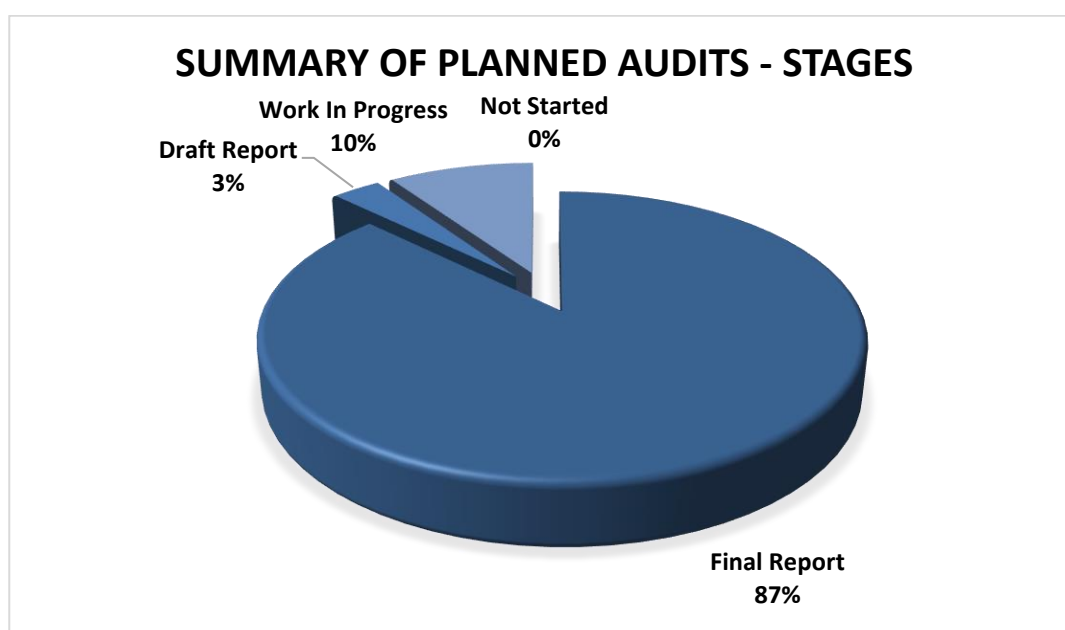
- 5.1 This report is the culmination of the work of the Internal Audit team during 2017/18 and seeks to provide:
- An update on the internal audit work undertaken.
 - An annual opinion on the adequacy of the Council's governance arrangements.
 - Information on the performance of Internal Audit including results of the quality and assurance programme and progress against the improvement plan.
- 5.2 As the Accountable Officer, the Section 151 Officer has responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives, whilst safeguarding the Council's assets, in accordance with local government legislation. This includes section 151 of the Local Government Act 1972 which requires the Council to make arrangements for the proper administration of its financial affairs.
- 5.3 The Accounts and Audit Regulations 2015 require the Council to have internal audit to: 'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. In addition, organisations are no longer required to undertake an annual review of effectiveness, although audit committees should note the requirements of the Public Sector Internal Audit Standards to maintain an ongoing programme of quality assessment and improvement.

Scope and purpose of Internal Audit

- 5.4 The Public Sector Internal Audit Standards define the scope of the annual report on internal audit activity. The annual report should include an assessment as to the extent to which compliance with the Standards has been achieved. This annual report provides an internal audit opinion that can be used by the Council to inform its governance statement as part of the wider framework of assurances considered. The annual internal audit opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control and incorporates a summary of the work in support of the opinion, a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. This is in accordance with the requirements of the 2015 Accounts and Audit Regulations. In addition, Internal Audit has an independent and objective consultancy role to help line managers improve governance, risk management and control.
- 5.5 The purpose of Internal Audit is to provide the Council, through the Audit Committee, the Chief Executive and the Section 151 Officer, with an independent and objective opinion on risk management, control and governance processes and their effectiveness in achieving the Council's agreed objectives.

Internal Audit work undertaken

- 5.6 The Internal Audit Plan 2017/18 was considered and approved by Audit Committee at its meeting on the 22 February 2017. The Plan provided for a total of 2,046 days. Revisions throughout the year to reflect changing risks and resources were reported to Audit Committee and the plan revised to a target of 2,032 days. The Head of Audit can confirm that the service has been free from interference throughout the year. Final performance has been good and remains in excess of the target to deliver 90% of the annual plan. **Appendix A, Table 1.**
- 5.7 The audit findings and performance of audit have been set out in summary reports which have been presented to the Audit Committee during the year. In total 110 final reports have been issued in 2017/18. These are listed with their assurance rating and broken down by service area at **Appendix A, Table 2.**
- 5.8 The following chart shows performance against the approved Internal Audit Plan for 2017/18:

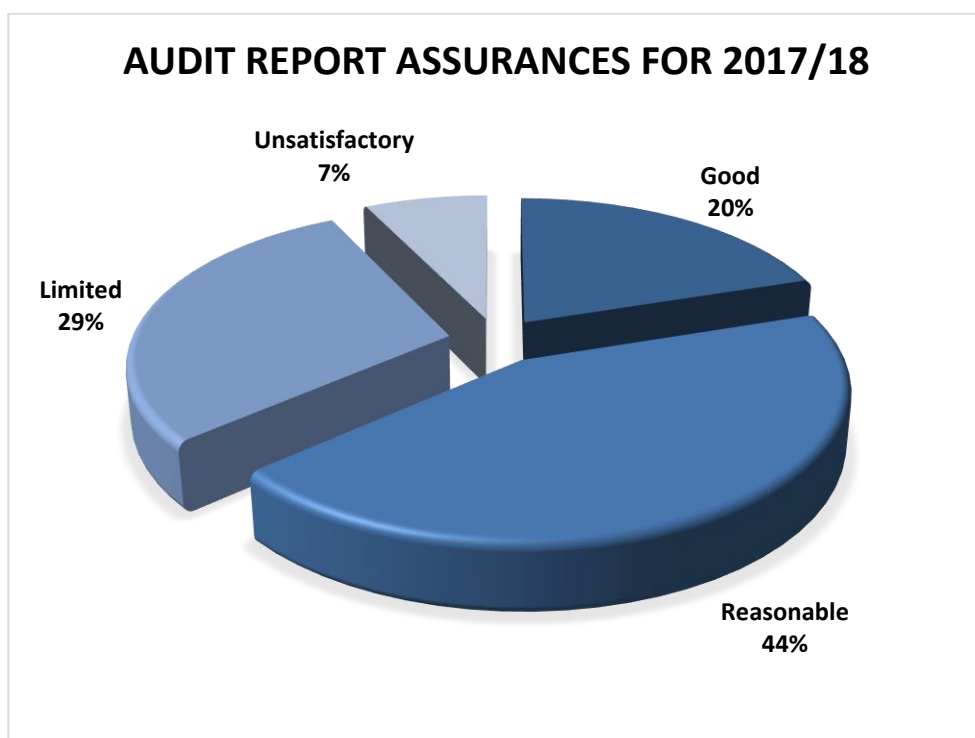


- 5.9 The following tables compare the assurance levels (where given) and categorisation of recommendations made at the Council to demonstrate a direction of travel in relation to the control environment.

Comparison of Assurance Levels (where given)

Assurances	Good	Reasonable	Limited	Unsatisfactory	Total
2017/18	20%	44%	29%	7%	100%
2016/17	7%	45%	31%	17%	100%
2015/16	14%	35%	42%	9%	100%
2014/15	17%	47%	28%	8%	100%
2013/14	30%	45%	15%	10%	100%
2012/13	31%	56%	12%	1%	100%

The assurance levels awarded to each completed audit area for 2017/18 appear in the following graph:



Comparison of recommendation by categorisation

Categorisation	Best practice	Requires attention	Significant	Fundamental	Total
2017/18	3%	56%	41%	0%	100%
2016/17	4%	50%	46%	0%	100%
2015/16	4%	54%	42%	0%	100%
2014/15	6%	53%	40%	1%	100%
2013/14	15%	57%	27%	1%	100%
2012/13	23%	57%	20%	0%	100%

The overall spread of recommendations agreed with management following each audit review for 2017/18 appear in the attached graph:



- 5.10 Seventy good and reasonable assurances were made in the year accounting for 64% of the opinions delivered. This represents a 12% increase in the higher levels of assurance compared to the previous year, offset by a 12% decrease in limited and unsatisfactory opinions. Eight unsatisfactory opinions and 32 limited assurance opinions were issued, 36% in total, compared to 48% last year. This demonstrates an improving control environment, a positive direction of travel.
- 5.11 Further consideration of the assurance levels reveals:
- There have been no material changes in the Council's activities and no limitations have been placed on the scope of the audit.
 - Twenty-eight 'high' risk systems within the Council attracted a good or reasonable level of assurance and ten limited or unsatisfactory.
 - Governance, risk management and five of the fundamental systems, through which a significant amount of the Council's financial business is transacted, attract a high level of assurance. The Payroll audit assurance level is Good. These results combine to provide a high level of confidence in the robustness of the data reflected in the accounts. **Appendix A, table 3.**
 - Three high risk related IT systems and projects also attracted higher level assurances.
 - Fundamental recommendations were and are being implemented and non-were rejected by management.
 - A level of concern has previously been expressed in relation to IT systems and processes. IT Services have continued to invest in and implement required control improvements and this has been evidenced by improving assurance levels as management controls are embedded. Business continuity and disaster recovery controls have strengthened (limited to reasonable) as have hardware replacement controls (unsatisfactory to reasonable).
 - Lower levels of assurance are not focused on any one area but improvements are required in social care processes, some IT applications and processes, debt recovery aspects of the purchase ledger, transport operations and estate

management. Whilst not significant enough to sway the opinion, managers are advised to target these areas for improvement.

- 5.12 Given the overall impact of the points above, an unqualified Head of Audit's Year-end opinion can result. This reflects significant improvements in key areas of internal control and focus should continue to ensure these are maintained and built upon.
- 5.13 Work has also been completed for external clients including honorary and voluntary bodies in addition to the drafting and auditing of financial statements.
- 5.14 A summary of the reviews resulting in limited assurance since the last report, in February 2018 is included at **Appendix A, Table 4**. There have been no areas of unsatisfactory assurances identified. The Appendix also includes descriptions for the levels of assurance used in assessing the control environment and the classification of recommendations, **Tables 5 and 6**.

Audit Committee are asked to advise what action they wish to follow in relation to the limited areas reported?

- 5.15 A total of 1,121 recommendations have been made in the 110 final audit reports issued in the year; these are broken down by audit area and appear at **Appendix A, Table 7**.
- 5.16 The number of fundamental recommendations has decreased from six in 2016/17 to three in 2017/18; overall this represents less than 1% of the total number of recommendations made. Fundamental recommendations were made on the following audits in relation to compliance with contract rules, IT systems and licensing checks for hackney and taxi drivers:
- **Estate Management**
 - **St Giles CE Primary School**
 - **Children's Social Care Management Controls**

Some control improvements are reported as implemented, others are underway but delayed due to recruitment and associated resourcing issues. Where delays are experienced after a revised implementation date, this will be reported to the Audit Committee.

The percentage of significant and fundamental recommendations has decreased slightly from 46% to 41% compared to last year with a corresponding fall in requires attention and best practice recommendations.

- 5.17 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 8 sets out the approach adopted to following up recommendations** highlighting Audit Committees involvement.
- 5.18 Five recommendations, equivalent to less than 1% of all recommendations made, have been rejected by management. All recommendations have been discussed with the managers concerned.

- 5.19 Where the reasons for rejection, of any recommendation, are not accepted by Internal Audit, and it is considered that the identified risk is not being managed or mitigated, this has been highlighted to the managers concerned and will be reported to Audit Committee. There are none since the last report in March 2018
- 5.20 During 2017/18, Internal Audit continued to facilitate work on the National Fraud Initiative (NFI). This involved following up on progress following the data matching exercise in 2016/17 and preparing for the 2018/19 exercise. The full details of which were reported to your November Committee.
- 5.21 In the current year, several internal audit reviews have been conducted, to help ensure appropriate controls are in place and are operational to counter the risk of fraud. These include:
- Adult social care financial assessments
 - Appointeeships/ court of protection and deputyships
 - Building control
 - Card holder management system for blue badges
 - Cash office reviews
 - Concessionary Fares
 - Council tax collection
 - Debt recovery
 - Disposal of IT equipment
 - Grant claims
 - Highways permits
 - Housing options
 - Imprest
 - Income collection
 - Parking IT system
 - Payroll
 - Purchase ledger
 - Purchasing and contract arrangements
 - Salary sacrifice schemes
 - Sales ledger
 - Various comforts funds and trading accounts
- 5.22 The above were further supported by specific counter fraud work in relation to arrears, leavers payments, procurement cards, travel and expense payments. In addition, every investigation where internal control weaknesses have been identified, results in a management report which lists areas to be improved to help reduce a repeat of any inappropriate activity.
- 5.23 Although Internal Audit is primarily an assurance function, internal audit activity should also add value to the Council. Contingencies are provided in the plan to allow for such activities and review areas reprioritised based on risks. Examples of the types of additional work that the service has conducted since the last report include:
- Linked to the counter fraud work noted above, the Audit service receives updates through various networking groups of potential fraud areas. Following one of these an Auditor shared an alert with Shropshire schools. The fraud was where an email purporting to be from the Head Teacher would be sent to a Business

Manager requesting immediate payment to be made to a company for delivery of services. Following the alert being shared a School Business Manager received such an alert and questioned it further, saving the school a potential fraudulent payment of £9,000. They thanked Audit for the pre-warning.

- A review of training agreements to ensure that where the Council invests in trainees, if they leave with an agreed period they repay their training expense. The policy was found not to be consistently applied throughout the Council and managers were reminded of this.
- A potential security issue was raised in respect of bank automated card payments (BACS) this led to a full review of the BACS process and an improvement in key controls.

An annual opinion on the adequacy of the governance arrangements

- 5.24 In considering an annual audit opinion, it should be noted that assurances given can never be absolute. The internal audit service can however provide the Council with reasonable assurance as to whether there are any major weaknesses to be found in risk management, governance and control processes.
- 5.25 The matters raised in this report are only those which came to Internal Audit's attention during its internal audit work and are not necessarily a comprehensive statement of all weaknesses that exist, or of all the improvements that may be required.
- 5.26 In arriving at her opinion, the Head of Audit has taken the following matters into account:
- Results of all audits undertaken during the year ended 31 March 2018;
 - Results of Corporate Governance and Risk Management reviews (good assurance);
 - Results of fundamental audit reviews and their direction of travel;
 - Implementation of recommendations of a fundamental nature;
 - Assurance levels provided and their direction of travel, and those of the recommendation ratings, compared against the risk appetite of the Council.
 - Fundamental recommendations not accepted by management and the consequent risks;
 - Effects of any material changes in the organisation's objectives or activities;
 - Matters arising from previous reports to the Audit Committee and/or Council;
 - Whether or not any limitations have been placed on the scope of internal audit;
 - Whether there have been any resource constraints imposed which may have impinged on Internal Audit's ability to meet the full internal audit needs of the Council; and
 - Proportion of the Council's internal audit needs that have been covered to date.
- 5.27 All assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

Based on the Internal Audit work undertaken and management responses received; the Council's framework for governance, risk management and internal control is sound and working effectively and the Head of Audit can deliver an unqualified year end opinion for 2017/18.

Audit performance

- 5.28 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Public Sector Internal Audit Standards, benchmarking the service against others in the sector and evaluating improvements made over the previous twelve months. The effectiveness of Internal Audit is further reviewed through the Audit Committee's delivery of its responsibilities and feedback gained from customer satisfaction surveys.

Aspect of measure	Target 2017/18	Actual 2017/18
Percentage of revised plan delivered	90%	98%
Compliance with Public Sector Internal Audit Standards	Compliant	Compliant
Percentage of customers satisfied overall with the service	80%	90%

- 5.29 An annual review of Internal Audit is conducted in the form of a self-assessment of compliance with the Public Sector Internal Audit Standards. The self-assessment forms part of another report on this agenda: 'Annual review of Internal Audit: Quality Assurance and Improvement Programme 2017/18. In addition, an external assessment conducted by CIPFA and reported on to a February 2017 meeting of this Committee demonstrated compliance with the PSIAS, the external assessment will be repeated in five years.
- 5.30 Internal Audit recognises the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. The Service continually focuses on delivering high quality audit to clients – seeking opportunities to improve where possible.
- Commitment to quality begins with ensuring that appropriately skilled and experienced people are recruited and developed to undertake audits.
 - Audit practice includes ongoing quality reviews for all assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.
 - A Quality Assurance Framework includes all aspects of the Internal Audit Activity – including governance, professional practice and communication. The quality of audits is evidenced through performance and delivery, feedback from our clients and an annual self-assessment.
 - There is a financial commitment for training and developing staff. Training provision is reviewed continually through the appraisal process and regular one to one meetings. Individual training programmes are developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.

- 5.31 Customers are asked for feedback on their audit experience after most audit reviews. Feedback is provided on the quality of the service and helps to ensure that audit work meets client expectations and the quality of audit work is maintained. The percentages of excellent and good responses for the last three years are detailed in **Appendix A, Table 9**.
- 5.32 The percentage of customers scoring the service as high or excellent has increased slightly. Given the current climate where an increasing number of reviews are reporting reduced assurances and with a significant reduction in resources for both Internal Audit and our customers starting to impact on services, this trend remains a positive reflection of the service.
- 5.33 During the last year several compliments and comments have been received in respect of the service from both questionnaires and directly, these appear at **Appendix A, Table 10**. The vast majority of comments have been very positive reflecting the hard work the team devote to establishing a good professional relationship with clients. All critical comments are followed up with the author to identify where lessons can be learnt and improvements made.
- 5.34 Internal Audit employ a risk-based approach to determining the audit needs of the Council at the start of the year and use a risk-based methodology in planning and conducting audit assignments. All work has been performed in accordance with PSIAS.
- 5.35 In order to ensure the quality of the work performed, a programme of quality measures is used, which includes:
- Supervision of staff conducting audit work;
 - Review of files of working papers and reports by managers and partners;
 - Receipt of formal feedback from managers to audit findings and recommendations;
 - Follow up reviews for reports attracting low assurance levels and recommendation follow up processes;
 - The use of satisfaction surveys for each completed assignment;
 - Annual appraisal of audit staff and the development of personal development and training plans;
 - The maintenance of guidance and procedures.
- 5.36 There have been no instances during the year which have impacted on Internal Audit's independence and/or have led to any declarations of interest.

Performance measures

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

Review of the effectiveness of Internal Audit work by the Audit Committee

- 5.38 The Council has a well-established Audit Committee, which operates in accordance with best practice. Its terms of reference and associated working practices are aligned with those suggested by CIPFA and are reviewed annually. Its members receive regular training on the role of the committee and how they can best support this, as well as the roles of internal and external audit. It undertakes an annual self-assessment exercise and seeks to improve the way in which it operates.

- 5.39 The Committee provides an Annual Assurance Report to Council to summarise its work and opinion on internal controls. This report is also located on this agenda.
- 5.40 The Council's Audit Committee considers external and internal audit reports and the Committee requests management responses to any significant issues reported, including reporting the progress made in implementing audit recommendations. Senior officers have attended the Audit Committee to provide management responses in relation to a few reports. Examples of audit work and remedial action that have been scrutinised by the Audit Committee include reports on strategic risks; IT and digital transformation updates, estates, adult services peer review, Children's services - Ofsted, highways permits, council tax and national non-domestic rates performance, housing benefit overpayment performance, income generation and transport operations group.

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

Draft Internal Audit Risk Based Plan 2017/18 - Audit Committee February 2017
 Internal Audit Plan 2017/18 – Performance Report - Audit Committee September 2017
 Internal Audit Plan 2017/18 – Performance Report - Audit Committee November 2017
 Internal Audit Plan 2017/18 – Performance Report - Audit Committee March 2018
 Public Sector Internal Audit Standards (PSIAS).
 Various internal documents supporting self-assessment against the PSIAS.
 Audit management system.
 Accounts and Audit Regulations 2015

Cabinet Member (Portfolio Holder)

Peter Nutting, Leader of the Council and Peter M Adams, Chairman of Audit Committee

Local Member: All

Appendices

Appendix A

Table 1: Summary of actual audit days delivered against plan 2017/18
 Table 2: Final audit report assurance opinions issued in 2017/18
 Table 3: Audit opinion and recommendations made on fundamental systems 2017/18
 Table 4: Unsatisfactory and limited assurance opinions since February 2018 listed by service area
 Table 5: Audit assurance opinions
 Table 6: Audit recommendation categories
 Table 7: Audit recommendations made in 2017/18
 Table 8: Customer Feedback Survey Forms
 Table 9: Summary of compliments and comments 2017/18

Appendix B - Audit plan by service – annual report 2017/18

APPENDIX A

Table 1: Summary of actual audit days delivered against plan 2017/18

	Original Plan	Revised Plan	March Actual	% of Original Complete	% of Revised Complete
Chief Executive	548	548	526.6	96%	96%
Finance, Governance and Assurance	204	186	184.8	91%	99%
Governance	18	25	15.9	88%	64%
Human Resources	305	316	304.9	100%	96%
Legal and Democratic	21	21	21.0	100%	100%
Adult Services	156	190	181.5	116%	96%
Commissioning	261	277	238.6	91%	86%
Children's Services	185	180	163.9	89%	91%
Public Health	110	87	87.3	79%	100%
S151 Planned Audit	1,260	1,282	1,197.9	95%	93%
Contingencies and other chargeable work	563	512	539.6	96%	105%
Total S151 Audit	1,823	1,794	1,737.5	95%	97%
External Clients	223	238	247.7	111%	104%
Total	2,046	2,032	1,985.2	97%	98%

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

Table 2: Final audit report assurance opinions issued in 2017/18**Summary**

Audits 2017/18	Assurance	%	Direction of travel ¹	Audits 2016/17	%	Audits 2015/16	%
22	Good	20	↑	7	7	11	14
48	Reasonable	44	↔	44	45	29	36
70	Sub total	64	↑	51	52	40	50
32	Limited	29	↔	30	31	35	44
8	Unsatisfactory	7	↓	16	17	5	6
40	Sub total	36	↓	46	48	40	50
110	Overall total	100		97	100	80	100

Full details

	Audit	Assurance
1.	Governance	Good
2.	Refugee action grant	Good
3.	Private Sector Housing	Good
4.	Land Charges	Good
5.	Assessments and Looked After Children Budget Monitoring Arrangements 2016/17	Good
6.	CareFirst Application Review	Good
7.	Risk Management	Good
8.	Strengthening Families Q1	Good
9.	Strengthening Families Q2	Good
10.	Strengthening Families Q3	Good
11.	Strengthening Families Q4	Good
12.	Food Safety	Good
13.	Budget Management and Control - Corporate 2016/17	Good
14.	Imprest Administration System	Good
15.	Capital Accounting System	Good
16.	Treasury Management	Good
17.	Medium Term Financial Strategy	Good
18.	National Non-Domestic Rates (NNDR)	Good
19.	Cardholder Management System for Blue Badges (CMS)	Good
20.	Third Party Audits for Hosted Systems	Good
21.	Apprenticeship Levy	Good
22.	Enterprise Resource Planning ERP Design Phase	Good
23.	Disability facility grants	Reasonable
24.	Energy Grants	Reasonable
25.	CM2000 Electronic Homecare Monitoring - non-IT side 2016/17	Reasonable
26.	Enable	Reasonable
27.	The Meres Day Centre Closure	Reasonable
28.	Housing Options	Reasonable
29.	Liquid Logic Design Phase	Reasonable
30.	Purchasing Domiciliary, Residential and Nursing Care: Adults, ALD Mental Health	Reasonable
31.	Maesbury Metals 2017/18 Follow Up Audit	Reasonable
32.	Building Control	Reasonable
33.	Public Transport - Concessionary Fares 2016/17	Reasonable
34.	Property Repair and Maintenance	Reasonable
35.	Special Transport / Routing Arrangements	Reasonable
36.	Special Transport Contract Arrangements	Reasonable
37.	Crowmoor Primary School	Reasonable
38.	Cockshutt CE (Controlled) Primary School	Reasonable
39.	Criftons CE (controlled) Primary School	Reasonable
40.	Children's Social Care Management Controls 2016/17	Reasonable/ fundamental rec
41.	PAMs Assessments 2016/17	Reasonable
42.	Strengthening Families Grant - December Claim	Reasonable
43.	Purchasing and Contract Arrangements (Children's Placement and Joint Adoption)	Reasonable

	Audit	Assurance
44.	Bereavement Services Contract	Reasonable
45.	Environmental Service 2016/17	Reasonable
46.	Income Collection 2016/17	Reasonable
47.	Purchase Ledger	Reasonable
48.	Cash Office Regularity - Shrewsbury Museum, Art Gallery and Visitor Information Centre	Reasonable
49.	General Ledger	Reasonable
50.	Council Tax Collection	Reasonable
51.	Lone Working Arrangements	Reasonable
52.	Payroll System 2016/17	Reasonable: 2017/18 draft is good
53.	Salary Sacrifice Schemes (Childcare, AL etc)	Reasonable
54.	Antivirus Controls	Reasonable
55.	Digital Transformation Programme: Governance and Pre Contract Stage Assurance 2016/17	Reasonable
56.	Disposal of IT Equipment	Reasonable
57.	Hardware Replacement Programme	Reasonable
58.	IT Strategy 2016/17	Reasonable
59.	Landesk	Reasonable
60.	Patch Management	Reasonable
61.	Physical and Environmental Controls	Reasonable
62.	Remote Access, Citrix & VPN	Reasonable
63.	Back-up Arrangements	Reasonable
64.	IT Business Continuity and Disaster Recovery	Reasonable
65.	Internet Security 2017-18	Reasonable
66.	Network Perimeter Defences	Reasonable
67.	PC Replacement Programme	Reasonable
68.	Data Protection / Freedom of Information	Reasonable
69.	IT Security Policy	Reasonable
70.	Transparency Agenda	Reasonable
71.	CM2000 Electronic Homecare Monitoring - Application Review	Limited
72.	Adult Social Care - Financial Assessments	Limited
73.	DOLS Deprivation of Liberty Safeguards	Limited
74.	CONFIRM - Highways Management System	Limited
75.	Tranman Version 8.1.8.4	Limited
76.	Much Wenlock Leisure Centre	Limited
77.	Galaxy - Libraries System	Limited
78.	Waste - Veolia Contract	Limited
79.	Local Enterprise Partnership	Limited
80.	Shrewsbury Library	Limited
81.	Saffron Menu Planning (Shire Services)	Limited
82.	Theatre Ticketing and Online Booking Application	Limited
83.	Theatre Severn	Limited
84.	The Meadows Primary School	Limited
85.	St Giles CE Primary School	Limited/ fundamental rec
86.	ONE - Education Management System	Limited
87.	Chipside Parking System Application Review 2016/17	Limited

	Audit	Assurance
88.	Private Water Supplies	Limited
89.	Cash Office Regularity - Acton Scott Working Farm	Limited
90.	Social Media	Limited
91.	Payroll - Self Service Facility	Limited
92.	Recruitment Arrangements	Limited
93.	Redeployment Arrangements	Limited
94.	ResourceLink - HR Application Review	Limited
95.	IT Registration and Deregistration Procedures	Limited
96.	Print Unit Operations	Limited
97.	Remote Servers	Limited
98.	Remote Support	Limited
99.	Corporate Networking - Active Directory	Limited
100.	Digital Transformation Programme: Governance and Pre-contract stage assurance follow-up	Limited
101.	EDRM Sharepoint	Limited
102.	ICT Project Financing and Recharges	Limited
103.	Maesbury Metals Trading Account	Unsatisfactory
104.	Highways Permits	Unsatisfactory
105.	Estate Management 2016/17	Unsatisfactory/ fundamental rec
106.	TOG	Unsatisfactory
107.	Brockton CE Primary School	Unsatisfactory
108.	Greenacres Primary School	Unsatisfactory
109.	Inspire to Learn	Unsatisfactory
110.	Debt Recovery	Unsatisfactory

Key

Text in blue	High risk from an audit perspective
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Service area	Good	Reasonable	Limited	Unsatisfactory	Total
Chief Executive	12	25	14	1	52
Finance, Governance and Assurance	7	5	1	1	14
Governance	1	0	0	0	1
Human Resources	4	17	13	0	34
Legal and Democratic	0	3	0	0	3
Adult Services	2	9	3	1	15
Commissioning	1	5	10	3	19
Children's Services	6	7	3	3	19
Children's Services: Schools	0	3	2	2	7
Children's Services: Others	6	4	1	1	12
Public Health	1	2	2	0	5
Total for 2017/18					
➤ Numbers	22	48	32	8	110
➤ Percentage	20%	44%	29%	7%	100%

Percentage 2016/17	7%	45%	31%	17%	100%
Percentage 2015/16	14%	35%	42%	9%	100%
Percentage 2014/15	17%	47%	28%	8%	100%
Percentage 2013/14	30%	45%	15%	10%	100%
Percentage 2012/13	31%	56%	12%	1%	100%

Table 3: Audit opinion and recommendations made on fundamental systems 2017/18

Fundamental system	Direction of travel	Level of assurance given	Number of recommendations made			
			BP	RA	S	F
Debt Recovery	N/A	Unsatisfactory	0	16	10	0
Purchase Ledger	=	Reasonable	0	6	0	0
Capital Accounting System	=	Good	0	1	0	0
General Ledger	↓	Reasonable	0	6	0	0
Council Tax	=	Reasonable	1	6	0	0
Treasury Management	=	Good	0	4	0	0
NNDR Collection	=	Good	1	3	0	0
Sales Ledger (draft)	=	Limited	0	7	5	0
Payroll System (draft issued 24/04/18)	↑	Good				
Risk Management	=	Good	5	2	0	0
Previous assurances provided on fundamental systems						
Income Collection	2016/17	Reasonable				
Housing Benefits	2016/17	Good				

Table 4: Unsatisfactory and limited assurance opinions since March 2018 listed by service area²**Unsatisfactory assurance**

None

Limited assurance**Human Resources - ICT project financing and recharges (2016/17 audit limited).**

1. To ensure that recommendations made in previous audits in relation to the following areas have been implemented as per the original management responses:
 - a. An ICT Project Management policy exists with clear procedures documented outlining the project definition and approval process.
 - b. ICT Project financial management is clearly defined and documented. Clear procedures exist and operate to set out to finance projects in a prudent manner.

Commissioning – Theatre Severn

² 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.

1. Previous audit recommendations have been implemented.
2. Budget income is identified, collected and banked in accordance with procedures.
3. Purchases are appropriate, authorised, recorded correctly and comply with Financial Regulations and Contract Procedure Rules.
4. The imprest account is operated in accordance with Imprest Procedures and all monies can be accounted for.
5. Payment is made to bona fide employees only for the work performed through the Payroll system.
6. Appropriate procedures are in place for the security of staff and material assets.
7. Electronically held data is secure and can be restored in the event of IT failure.

Table 5: Audit assurance opinions: awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Table 6: Audit recommendation categories: an indicator of the effectiveness of the Council's internal control environment and are rated according to their priority

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

Table 7: Audit recommendations made in 2017/18

Service area	Number of recommendations made				
	Best practice	Requires attention	Significant	Fundamental	Total
Chief Executive	18	177	119	0	314
Finance, Governance and Assurance	9	76	28	0	113

Service area	Number of recommendations made				
	Best practice	Requires attention	Significant	Fundamental	Total
Governance	0	0	0	0	0
Human Resources	9	93	90	0	192
Legal and Democratic	0	8	1	0	9
Adult Services	8	85	59	0	152
Commissioning	2	175	163	1	341
Children's Services	3	149	98	2	252
Children's Services: Schools	3	133	82	1	219
Children's Services: Others	0	16	16	1	33
Public Health	1	41	20	0	62
Total for 2017/18					
➤ Numbers	32	627	459	3	1,121
➤ Percentage	3%	56%	41%	0%	100%
Percentage 2016/17	4%	50%	46%	0%	100%
Percentage 2015/16	4%	54%	42%	0%	100%
Percentage 2014/15	6%	53%	40%	1%	100%
Percentage 2013/14	15%	57%	27%	1%	100%
Percentage 2012/13	23%	57%	20%	-	100%

Table 8: 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 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.

Table 9: Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2015/ 2016	2016/ 2017	2017/ 2018	Direction of Travel
Pre-audit arrangements	90%	84%	87%	↑
Post-audit briefing	81%	84%	88%	↑
Audit coverage/scope of the audit	97%	81%	89%	↑
Timeliness of production of report	68%	83%	92%	↑

Accuracy and clarity of report	87%	85%	89%	↑
Practicality of recommendations	73%	78%	82%	↑
Professionalism of approach	89%	95%	95%	↔
Communication skills	95%	95%	98%	↑
Timeliness, competence, manner	87%	85%	88%	↑
Number of forms returned	65	60	56	↓
% of forms scored as excellent and good	85%	89%	90%	↑

Table 10: Summary of compliments and comments 2017/18**Compliments**

I was impressed with the quick understanding of what is a very complex cross departmentally delivered and prescribed (in statute) service area by the Auditor. Many of the recommendations will help support future amendments to the scheme in Shropshire, where there is a need to engage politically to review locally funded enhancements to the statutory minimum scheme.

I would like to mention how polite, professional and friendly the Auditor was whilst undertaking this audit. He made the experience (!) much more enjoyable and is a credit to the audit team.

The Auditor was very fair, polite and approachable during the entire audit process. The audit did cover the scope of recent Inter Authority Audit activity conducted by Peer Authorities on a rolling programme, however this information was taken into account by the auditor.

Audit are always very supportive developing best practice for the payment by results element of our programme. We are due a spot check from the DCLG in the near future and I feel that the audit element of the check is robust.

I was very pleased to have the audit team visit and was impressed that we could work together on suggestions for improvements etc. I was also pleased that matters I had previously identified now have the back up from the audit team. I found it a very positive process, the whole team were pleased with the interaction they received when the auditors visited them on site. Thanks!

We approached the audit as a learning curve to find out if there is anything we can improve upon. We were grateful to be highlighted areas we can work on, although some of them are out of our control due to budget restrictions on staffing levels.

The Auditor was very professional and produced a timely report with practical recommendations and best practice for improvement.

Much better experience of audit than I have had in the past. The team were very thorough, but as a new Head to the setting this was a very supportive start for me and gave me a signpost for moving forward. Thank you.

As a lot of the administrative tasks are a new addition to my role I found the audit process very informative. I learned a lot that will help me in my job.

All good and very flexible in their approach.

The Auditor involved with this internal audit was very supportive throughout the entire process. They also had a very good understanding of how the service operates on a day to day basis.

I am writing to thank you and your staff for once again conducting the audit of the Association's Accounts for 2016/17 which is very much appreciated. Please pass on our thanks to your staff for their help.

Thank you for the draft report which I am very happy with - from the point of view that this is an excellent piece of audit work.

Well I'd made a good start on it, but thank you, it is genuinely reassuring to know that you and your department are able to listen and respond in this way.

Very supportive process and considered the time available to the office staff in a small school. The recommendations will only ensure the processes are even tighter in the future.....Thank you for all your hard work.

This audit has been useful and the auditor has been necessarily persistent in following up matters with officers. He always conducts himself professionally and is able to explain and rationalize any recommendations that he has made.

Comments

We had limited notice of the DFG audit and it would have been beneficial if we could have had 3 months' notice to diarize it and organize staff / leave accordingly.

Although the audit was carried out in a timely manner and consideration was given to other work priorities the timing of the audit did clash with the revenue budget closedown which made it difficult to co-operate with the timescales the audit team were working to. In saying this, I'd like to thank the audit team for their patience during the process.

My view would be that this audit would have been more beneficial later in 2017, given that the levy only came into effect in April 2017 and there have only been a few applications received so far and no draw down of any levy monies yet.

I have marked the timeliness of the report as reasonable because there was a delay in the promised report and I did follow up to enquire.

Nothing further to add, other than maybe I would suggest the opportunity in future to brief the whole team with regards as to the importance of auditing a service.

Audit is an important function for our service. The challenge put forward helps improve our controls and processes. Dialogue and plenty of notice is important to ensure the audit runs smoothly against BAU.

By way of explanation following some of the comments above:

Every attempt is made to inform customers of planned audits and to work around them where possible. Details of all planned audits are circulated to Directors at the beginning of the year. The list provides a 'heads up' to managers of areas on the list but not when they will be audited within the next 12 months. Prior to the start of the audit the Auditor then contacts the business and if there are key issues that may impact on delivery of the audit at that time, these can be discussed with a view to resolving them.

It is acknowledged that timings of audits are not easy to get right. Do you go in before a new system is in place? During or after? If an audit is left too long what benefit can it add? This review would look at the controls in place to manage risks going forward to ensure that when more applications are received the process will work.

AUDIT PLAN BY SERVICE – ANNUAL REPORT 2017/18

	Original Plan Days	Revised Plan Days	31 March 2018 Actual	% Original	% Revised Plan
CHIEF EXECUTIVE					
Governance	18	25	15.9	88%	64%
Finance Governance & Assurance					
Finance Transactions	37	42	45.5	123%	108%
Finance and S151 Officer	73	50	51.2	70%	102%
Financial Management	31	25	19.0	61%	76%
Revenues and Benefits	35	22	22.9	65%	104%
Risk Management and Business Continuity	5	8	7.7	154%	96%
Treasury	23	39	38.5	167%	99%
	204	186	184.8	91%	99%
Human Resources					
Human Resources	104	85	88.0	85%	104%
Customer Services	15	13	12.6	84%	97%
ICT	186	218	204.3	110%	94%
	305	316	304.9	100%	96%
Legal and Democratic					
Information Governance	21	21	21.0	100%	100%
CHIEF EXECUTIVE	548	548	526.6	96%	96%
ADULT SERVICES					
Social Care Operations					
Long Term Support	86	107	96.8	113%	90%
Provider Services - Establishments	0	7	7.1	0%	101%
Provider Services - Group Homes	8	0	0.5	6%	0%
Provider Services - Trading Accounts	4	15	15.5	388%	103%
Housing Services	43	50	50.2	117%	100%
	141	179	170.1	121%	95%
Social Care Efficiency and Improvement					
Developmental Support	15	11	11.4	76%	104%
ADULT SERVICES	156	190	181.5	116%	96%
COMMISSIONING					

	Original Plan Days	Revised Plan Days	31 March 2018 Actual	% Original	% Revised Plan
Places and Enterprise					
Corporate Performance Management	10	10	0.0	0%	0%
Business, Enterprise and Commercial Services					
Commercial Services	5	5	1.0	20%	20%
Property Services	8	12	12.2	153%	102%
Estates & Facilities	5	2	1.4	28%	70%
Shire Services	12	13	13.3	111%	102%
Business, Enterprise and Commercial Services	30	32	27.9	93%	87%
Economic Growth					
Business & Enterprise	19	18	13.0	68%	72%
Development Management	18	18	17.7	98%	98%
Planning & Corporate Policy	8	0	0.0	0%	0%
Project Development	8	5	4.3	54%	86%
	53	41	35.0	66%	85%
Infrastructure and Communities					
Public Transport	10	0	0.0	0%	0%
Highways	60	84	63.3	106%	75%
Library Services	12	14	14.1	118%	101%
Public Transport	26	37	36.7	141%	99%
Theatre Severn and OMH	13	24	24.4	188%	102%
Visitor Economy	7	0	0.0	0%	0%
Waste & Bereavement	10	10	10.3	103%	103%
	138	169	148.8	108%	88%
Procurement	30	25	26.9	90%	108%
COMMISSIONING	261	277	238.6	91%	86%
CHILDREN'S SERVICES					
Safeguarding					
Children's Placement Services & Joint Adoption	29	19	10.3	36%	54%
Safeguarding	6	19	19.7	328%	104%
	35	38	30.0	86%	79%
Education, Improvement and Efficiency					
Business Support	7	7	7.0	100%	100%
Education Improvements	31	3	3.5	11%	117%

	Original Plan Days	Revised Plan Days	31 March 2018 Actual	% Original	% Revised Plan
Primary/Special Schools	112	122	123.3	110%	101%
Secondary Schools	0	10	0.1	0%	1%
	150	142	133.9	89%	94%
CHILDREN'S SERVICES	185	180	163.9	89%	91%
PUBLIC HEALTH					
Environmental Protection and Prevention	10	11	11.0	110%	100%
Public Health	37	18	22.9	62%	127%
	47	29	33.9	72%	117%
Public Protection					
Community Safety	8	0	0.0	0%	0%
Environmental Health	15	2	1.6	11%	80%
Environmental Protection and Prevention	20	39	34.6	173%	89%
Health Protection and Prevention	15	12	11.8	79%	98%
	58	53	48.0	83%	91%
Bereavement	5	5	5.4	108%	108%
PUBLIC HEALTH	110	87	87.3	79%	100%
Total Shropshire Council Planned Work	1,260	1,282	1,197.9	95%	93%
CONTINGENCIES					
Advisory Contingency	40	40	38.5	96%	96%
Fraud Contingency	200	125	161.5	81%	129%
Unplanned Audit Contingency	47	12	12.2	26%	102%
Other non audit Chargeable Work	276	335	327.4	119%	98%
CONTINGENCIES	563	512	539.6	96%	105%
Total for Shropshire	1,823	1,794	1,737.5	95%	97%
EXTERNAL CLIENTS	223	238	247.7	111%	104%
Total Chargeable	2,046	2,032	1,985.2	97%	98%