



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
17 th September 2020	
1:30pm	<u>Public</u>

INTERNAL AUDIT PERFORMANCE AND REVISED ANNUAL AUDIT PLAN 2020/21

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1 Summary

This report provides members with an update of work undertaken by Internal Audit in the four and a half months since the beginning of the financial year and the start of Shropshire Council's approved audit plan implementation. Thirty-five percent of the revised plan has been completed (**see Appendix A, Table 1**), which is in line with previous delivery records, however, due to the impact of COVID there has been a significant adjustment to the planned audit activity. The team is on target to achieve 90% delivery by the year end.

Three good, four reasonable, five limited and five unsatisfactory assurance opinions have been issued. The 17 final reports contained 313 recommendations, four of which were fundamental.

This report proposes significant revisions in the coverage of planned activity for Shropshire Council with a reduction of 643 days and a slight reduction of resources overall from 2,237 days, as reported in February 2020, to 2,157 days. Changes to the planned activity reflect adjustments in both risks and a reduction in available resources for pure audit work given the impact of COVID on both the service and the client; the changes have been discussed with, and agreed by, the Section 151 Officer.

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

2 Recommendations

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

- a) The performance to date against the 2020/21 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.
- c) The adjustments required to the 2020/21 plan to take account of changing priorities set out in **Appendix B**.

REPORT

3 Risk assessment and opportunities appraisal

- 3.1 The 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 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
- 3.2 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'.
- 3.3 'Proper practices' can be demonstrated through compliance with the Public Sector Internal Audit Standards (PSIAS).
- 3.4 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and there are no direct environmental, equalities or climate change consequences of this proposal.

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 adaption. Therefore, no effect.

6 Background

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

- 6.2 The 2020/21 Internal Audit Plan was presented to, and approved by, members at the 25th February 2020 Audit Committee, with the caveat that further adjustments may be necessary. This report provides an update on progress made against the plan up to 9th August 2020 and includes revisions to the plan.
- 6.3 In March 2020, the Council went into lockdown in accordance with Government requirements to the COVID pandemic. The Head of Internal Audit informed the Chair of Audit Committee by email that business recovery plans had been instigated and in practice, there were some audits that could not be delivered because services needed to focus on recovery following the floods and then the virus. This was being done with increasingly limited resources and as a result, the same officers were not available to respond to audits. The Head of Audit reported on the impact of this in her year end opinion on the work of 2019/20. This report looks at the impact on delivery of 2020/21 planned work. Disruption has continued for the same reasons and Auditors have responded initially to emerging control risks and their management, providing a valuable resource for Finance and the wider corporate services, maximising the benefits of the team's skills. The Head of Audit will report on this, where it impairs on independence or objectivity arising from additional roles or responsibilities outside of Internal Auditing and periodically review and approve safeguards to limit such impairments where possible with the current situation.
- 6.4 Lockdown resulted in the entire Audit function working remotely from their homes unable to access Shropshire Council or other client's premises and manual records, this situation continues. The Service was well set up to do this with flexible and agile working already the norm and a fully electronic management system supported through a cloud service. The Audit Service communicated with external clients and agreed to complete their audit reviews in the third and fourth quarters of the year, giving clients time to respond to the pandemic and to establish processes to do this safely going forward. It is expected that the service in the main with external clients will be capable of being delivered remotely. The impact on Shropshire Council work is explored in more detail below.

7 Performance against the plan 2020/21

- 7.1 Revisions to the 2020/21 plan provide for a total of 2,157 days following a reduction in resources due to COVID19 whilst also reflecting adjustments in risks. Performance to date is in line with previous delivery records at 36% (35% 2019/20), overall the team is on track to deliver a minimum of 90% of the revised annual plan by the year end.
- 7.2 The beginning of the year saw an Auditor resign and the opportunity for a Finance Trainee to start with the team, this has been delayed until 2021 due to COVID. The pandemic has seen resources across the Council mobilised to respond to the situation and this impacted on the original planned audit work. In addition, team members were identified as having appropriate skills and seconded to support business continuity arrangements; provide grant and personal protective equipment (PPE) coordination and allocations; back fill key service areas, insurance claims and financial activities.
- 7.3 To reflect the secondment of staff and the changed risk environment the following adjustments to the original plan have been made:

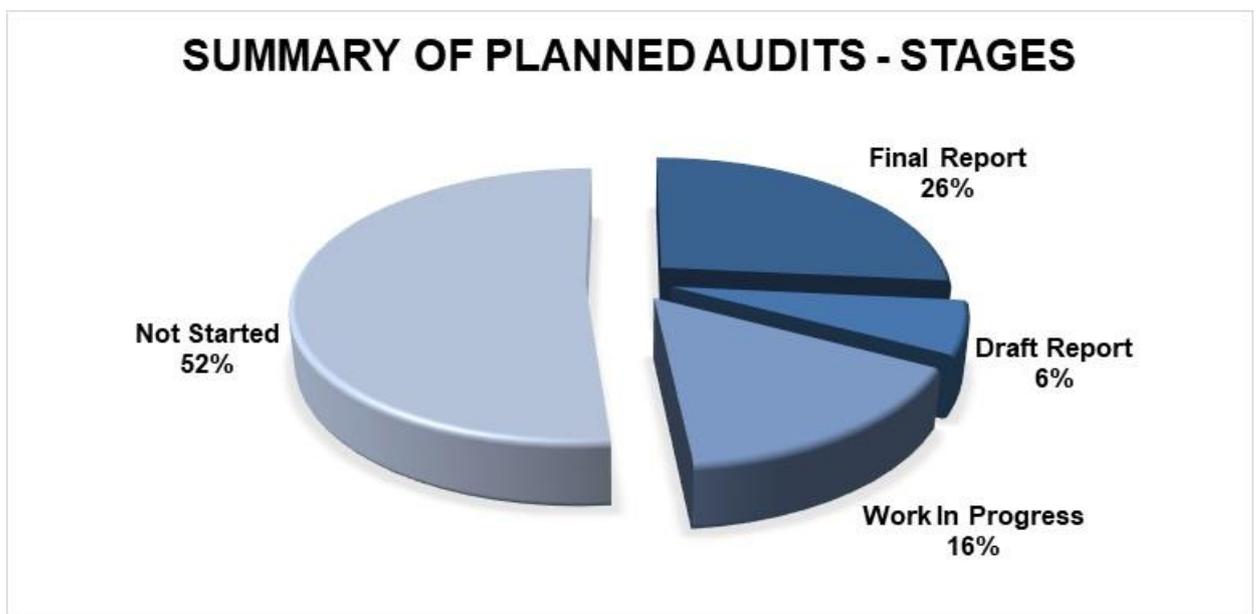
- a) An allocation has been built in for continued support to COVID responses in the areas of business continuity, PPE and responding to Government initiatives, c640 days including the secondment in (c) below.
- b) All external contracts are prioritised for completion. Additional days have been allocated to an external client that requested the service for an additional year and voluntary bodies, 70 days. These provide a level of income.
- c) Secondment of an Auditor to Finance to enable them to sign off their professional portfolio.
- d) Inclusion of areas that may require auditing as a response to new measures under COVID have been built in, i.e. grant work¹, budget management, digital mailroom.
- e) Fraud and advisory contingencies reduced to reflect activity to date, offset by counter fraud activity in specific areas, c100 days.
- f) Themed audits proposed for schools to help seek a level of assurance across several finance areas without impacting further on school resources.
- g) Data analytics have been applied to key financial systems to help with data cleansing and quality; provide a level of assurance on information held and provide data to support findings on an expanded sample base.
- h) Where audits and fundamental recommendations are due for follow up and managers are fully aware that time, resources and the impact of COVID has led to minimal improvements, audit scopes have been discussed, tailored and where appropriate delayed for a year.
- i) Cyber risk assessment introduced to consider the impact of increased remote working.
- j) Given the ongoing response to COVID and the strong risk management environment, assurance will not be separately considered this year on the processes for strategic and operational risk management and the audit has been removed from the plan. Strategic risks will still be reported to the Committee and responded to with the allocation of appropriate Audit resources.
- k) Reduced time spent on training and professional day release, c100 days.

7.4 A more detailed example of the Audit Team's response is supporting the Council in administering the Governments Covid-19 Business Support Grants which were announced in March 2020. The Council has received approximately 9,000 applications under this scheme to support local businesses. To ensure rapid payment, the initial tranche of grants was matched to unique NNDR (National Non-Domestic Rates) account references and bank details held by the Council. Accounts where the Council did not hold bank details were subject to an additional bank check to verify money was being sent to the correct recipient.

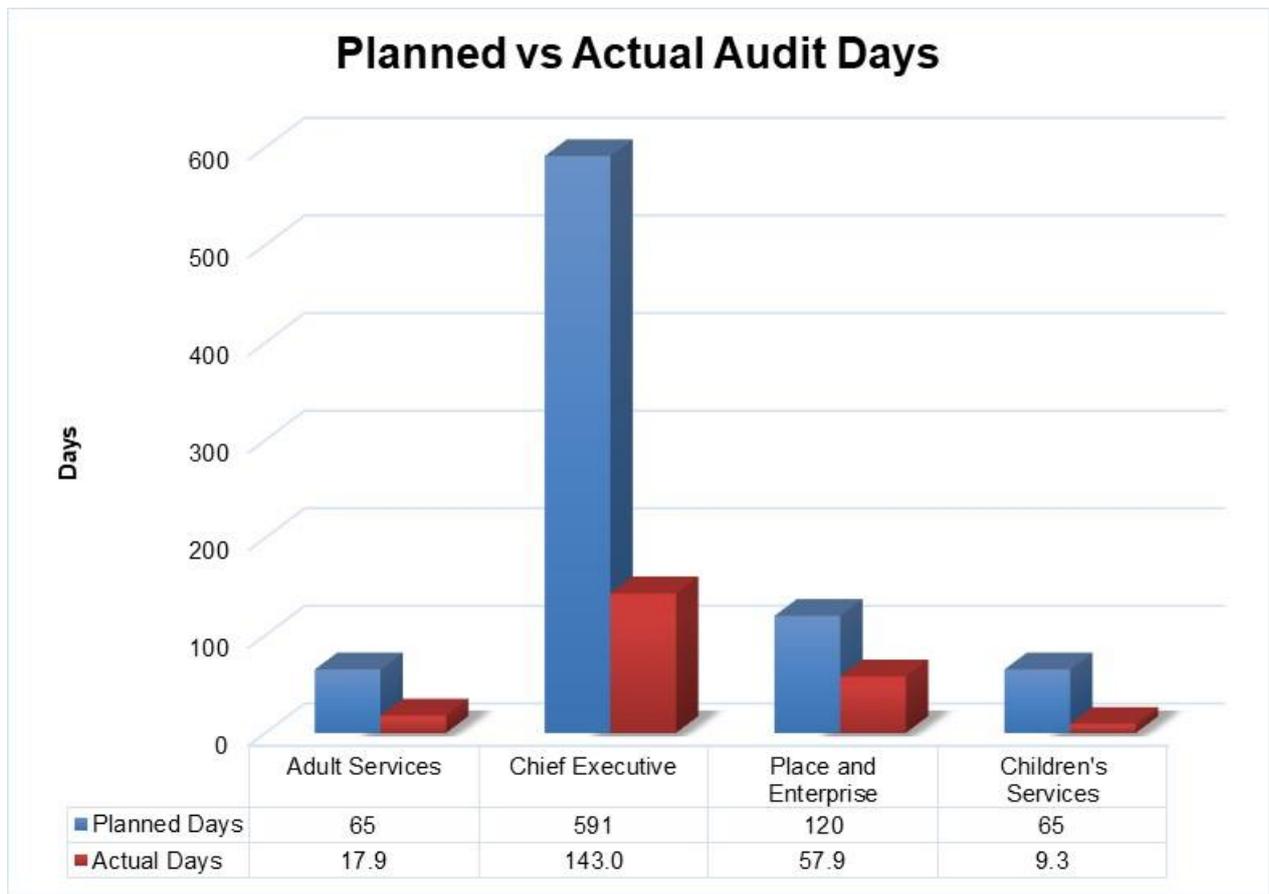
7.5 Bank check has received approximately 3,800 applications to review, the majority of which have been cleared to enable payments to local businesses. The bank check process has removed 329 duplicate applications from the process ensuring that approx. £3.8 million of grant funding was not mis-appropriated. In addition, the process has resulted in 60 applications being removed on grounds of qualification or withdrawn by the applicant ensuring a further £0.7 million is available to eligible businesses. Applications under the scheme ceased at the end of August and the final queries are now being resolved to meet the Government target of all payments being processed by the end of September 2020.

¹ Test and trace/ care home grant/ business grants/ COVID funds

- 7.6 The Council has delivered robust cross team working practices since the introduction of the scheme to provide the grants quickly whilst reducing the risk of fraudulent applications. A few fraudulent applications have been stopped as a result of intelligence sharing with NAFN (National Anti-Fraud Network) and joint work with local police. To date there have been three known fraudulent applications where payments were released. The Council has made full recovery on all three applications and these cases have been reported to the Police and the Government taskforce that are looking specifically at grant related fraud.
- 7.7 The learning from administering the Covid-19 Business Support scheme has also been utilised in supporting the £5 million Discretionary Grant scheme with all applications subject to bank checks by Audit and application reviews from officers in the Economic Growth Team. The Council will also be completing NFI (National Fraud Initiative) checks on all applications as mandated by Government recently.
- 7.8 In total, 17 final reports have been issued in the period from 1st April to 9th August 2020. The following chart shows performance against the approved Internal Audit Plan for 2020/21:



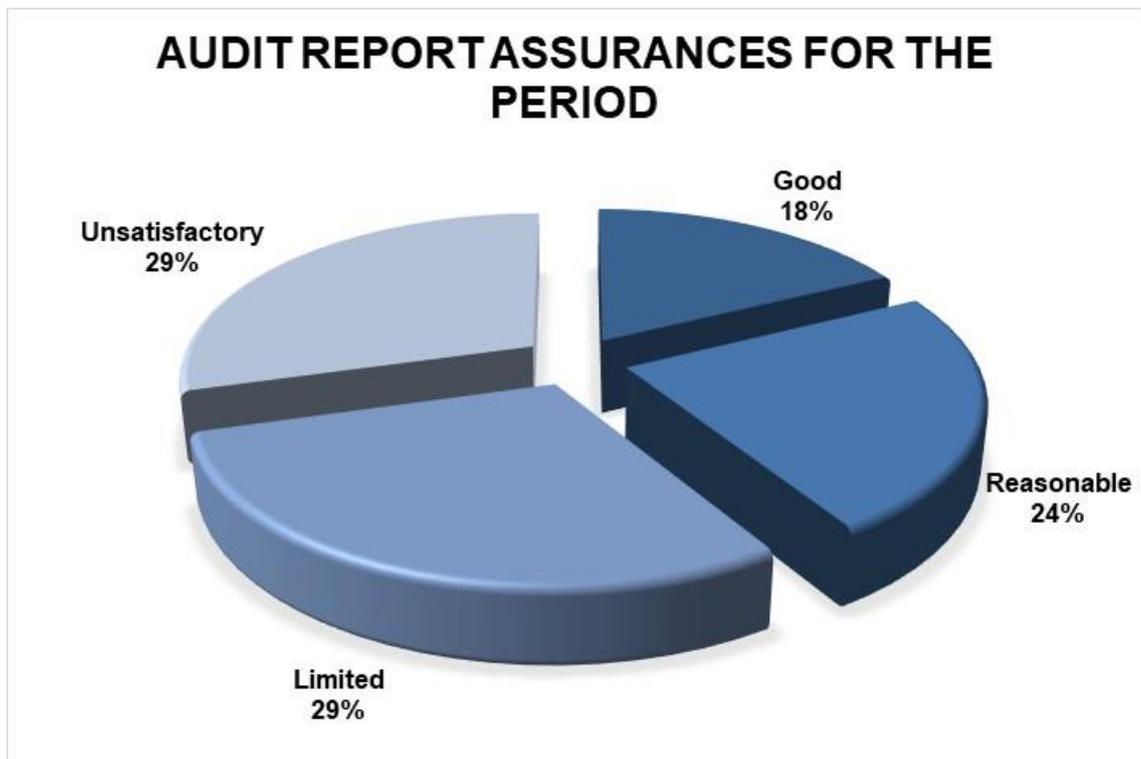
- 7.9 Audits have been completed over several service areas as planned:



7.10 The following audits have been completed since the beginning of the year:

- Corporate Governance
- Liquid Logic IT Application 2019/20
- Leisure Services Contract 19/20
- Theatre Severn 19/20
- Partnerships 19/20
- Long Mountain Primary School 19/20
- Strengthening Families Grant - June 2020 Claim
- Capital Accounting 19/20
- Debt Recovery 19/20
- General Ledger 19/20
- Imprest and Purchasing Card Spot Checks 19/20
- Purchase Ledger 19/20
- Sales Ledger - Periodic Income 19/20
- Sales Ledger 19/20
- Unit4 Business World Application 19/20
- Legionella
- Payroll 19/20

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



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



7.13 Up to the 9th August 2020, seven reports have been issued providing good or reasonable assurances and accounting for 42% of the opinions delivered. This represents a significant decrease in the higher levels of assurance for this period, compared to the

previous year outturn of 64%. This is offset by a corresponding increase in limited and unsatisfactory assurances, currently 58% compared to the previous year outturn of 36%.

- 7.14 Members will be aware from the reports to the July Audit Committee of the concerns around some key financial systems and ones in Place and Enterprise. In some of these areas, managers and employees have been diverted onto business continuity pressures responding to COVID and unable to plan improvements to known internal control processes, leading to increased risks that will impact on delivery of the Council's objectives. Control objectives evaluated and not found to be in place as part of these audit reviews that have since been finalised, appear in a summary of the planned audit reviews which resulted in unsatisfactory or limited assurance 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**.
- 7.15 Four draft reports, awaiting management responses, will be included in the next quarter results. Work has also been completed for external clients in addition to the drafting and auditing of financial statements in respect of several honorary funds and the certification of grant claims.
- 7.16 A total of 313 recommendations have been made in the 17 final audit reports issued this year; these are broken down by audit area and appear in **Appendix A, Table 7**. Members will recall, as reported in July to the Committee that; given the timing of the audits and the impact of Coronavirus, management comments were not provided for all key systems. Where this is the case, management have committed to review the internal controls once resources allow and hope to achieve this in the first six months following the Audit, but if not, the process will be revisited with the Head of Audit.
- 7.17 Four fundamental recommendations have been identified, which are detailed below:

Debt Recovery 2019/20

Recommendation - The Debt Recovery Team procedures should be updated when the Corporate Credit Policy has been finalised and agreed. It should be ensured that the procedures and practices carried out by the Debt Recovery Team reflect requirements of the agreed Corporate Credit Policy.

Risk - A failure to update the debt recovery procedures and practices to reflect the Corporate Credit Policy may lead to a lack of compliance with policy resulting in delays recovering outstanding debt and a financial loss to the Council.

Management Response- The Corporate Credit Policy will be updated to reflect updated policies and procedures in place following the transition to the ERP system.

Agreed Implementation Date – December 2020.

Leisure Services Contract 2019/20²

Recommendation - Contracts should be let in accordance with Contract Rules. The cost of the contract over its whole term including any additional payments should be considered when determining if verbal, written quotes or formal tender process is required.

² Establishment Audit follow ups will be delayed allowing for their reopening and embedding of control improvements

Risk - Failure to follow Contract Rules and procurement guidelines for purchases and contracts may result in excessive costs being incurred which could also lead to poor value for money and additional strain on the budget.

Management Response - Agreed.

Agreed Implementation Date – 30th June 2020

Pensions Payroll Interfacing

Recommendation - A project plan should be produced to ensure that the issues with the data extracted from Business World and interfaced into Altair are fully identified and resolved. The project plan should include clearly defined actions, targets and milestones as well as estimates of the resources required to resolve the issues.

Risk - A failure to produce a project plan to ensure that the issues are resolved could lead to incorrect employee data continuing to be extracted and interfaced in the pensions system if it is not corrected, which will result in incorrect employee pension records and an incorrect Annual Benefit Statement.

An Annual Benefit Statement which was known not to be correct would not be sent out. The materiality (i.e. the number of incorrect statements) would need to be established and depending in the size of this a breach would need to be reported to the Regulator who would investigate the matter and call the fund into account. This would be a statutory breach because Local Government Pension Scheme (LGPS) regulations require the fund to issue statements prior to the deadline.

Management Response - There are clear improvements to be made. The issue log with clear objectives, timescales and responsibility will be used to achieve this. A project approach is not considered necessary. The actions, language, responsibilities, deadline have been updated in the lessons learnt log to provide more clarity. This is being appraised every month after running i-connect to review where amendments are made. Discussion with the HR Administrator in Payroll are underway to document the process in detail. This will further identify where intervention is needed and ensure controls are in place and become a guide for training.

Agreed Implementation Date – 31st July 2021

Theatre Severn 2019/20

Recommendation - Purchases should be made in line with Shropshire Council's Contract Procedure Rules, Financial Rules, specifically section D.4. Ordering and Paying for Work, Goods and Services to ensure that public money is spent with demonstrable probity and in accordance with the Council's policies. Expenditure over £50,000 should be subject to formal tender. (Updated from the recommendation made and agreed as part of the Theatre Ticketing and Online Booking 2017/18 audit).

Risk - Non-compliance with Shropshire Council's Financial Rules and European tender thresholds. Non-compliance with the establishment's authorisation limits. A potential failure to achieve best value by not appointing the most suitable supplier and criticism from other suppliers if they are not given the opportunity to tender for the contract.

Management Response - We are working with the Procurement Team to ensure that going forward all procurement complies with the council policy. Existing contracts are being reviewed.

Agreed Implementation Date – 6th May 2020

- 7.18 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 Committee's involvement.

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

- Support in responding to COVID including deputising for the Chair of the Business Continuity Group; providing deputies to the Risk Management Officer for business continuity duties and supporting in facilitating actions, data collection, reporting and verification of group activities across the Council.
- Agreeing a revised approach to potential staff investigations with increased remote working, supporting managers initially in ensuring delivery.
- Attendance and challenge at various project boards and improvement groups: e.g. digital transformation, highways, direct payments.
- Review of processes supporting receipt of grants, i.e. infection control, COVID, flooding.
- Review of staff absence patterns to inform business continuity plans
- Replacement IT and security systems, e.g. education management system, digital mailroom and public building access systems.

Direction of travel

7.20 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)

Assurances	Good	Reasonable	Limited	Unsatisfactory	Total
2020/21 to date	18%	24%	29%	29%	100%
2019/20	15%	49%	22%	14%	100%
2018/19	26%	41%	27%	6%	100%
2017/18	20%	44%	29%	7%	100%

Comparison of recommendation by categorisation

Categorisation	Best practice	Requires attention	Significant	Fundamental	Total
2020/21 to date	2%	57%	39%	1%	100%
2019/20	1%	59%	39%	1%	100%
2018/19	2%	60%	37%	1%	100%
2017/18	3%	56%	41%	0%	100%

7.21 The number of lower level assurances 58%, at this point in the year, is significantly higher than the outturn for 2019/20 of 36%. The proportion of areas attracting unsatisfactory assurance (29%) is significantly higher than any previous year outturn. Whilst this does not yet demonstrate a complete picture, it is an early indicator of a weaker control environment across the Council. **Appendix A, Table 3**, shows a full list of areas that have attracted limited and unsatisfactory assurances during the period 1st April to 9th August 2020. Members should note that only a proportion of the plan has been completed to date and these opinions include the completion of the 2019/20 main financial systems audits.

Performance measures

7.22 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.

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 2020/21 - Audit Committee 25th February 2020
Public Sector Internal Audit Standards (PSIAS)
Audit Management system
Accounts and Audit Regulations 2015

Cabinet Member (Portfolio Holder)

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

Local Member: All

Appendices

Appendix A

Table 1: Summary of actual audit days delivered against plan 1st April 2020 to 9th August 2020

Table 2: Final audit report assurance opinions issued in the period 1st April 2020 to 9th August 2020

Table 3: Unsatisfactory and limited assurance opinions in the period 1st April 2020 to 9th August 2020

Table 4: Audit assurance opinions

Table 5: Audit recommendation categories

Table 6: Glossary of terms

Table 7: Audit recommendations made in the period 1st April 2020 to 9th August 2020

Table 8: Recommendation follow up process (risk based)

Appendix B - Audit plan by service 1st April 2020 to 9th August 2020

APPENDIX A

Table 1: Summary of actual audit days delivered and revisions to the audit plan in the period from 1st April to 9th August 2020

	Original Plan	Revised Plan	9th August 2020 Actual	% of Original Complete	% of Revised Complete
Chief Executive	821	591	143.0	17%	24%
Finance, Governance and Assurance	420	390	72.6	17%	19%
Governance	14	14	5.9	42%	42%
Workforce and Transformation	361	177	55.4	15%	31%
Legal and Democratic	26	10	9.1	35%	91%
Adult Services	194	65	17.9	9%	28%
Social Care	134	61	17.8	13%	29%
Public Health	29	2	0	0%	0%
Public Protection	31	2	0.1	0%	0%
Place and Enterprise	221	120	57.9	26%	48%
Children's Services	248	65	9.3	4%	14%
Schools	126	26	0.5	0%	2%
Other	122	39	8.8	7%	23%
S151 Planned Audit	1,484	841	228.1	15%	27%
Contingencies and other chargeable work	582	1,075	519.7	89%	48%
Total S151 Audit	2,066	1,916	747.8	36%	39%
External Clients	171	241	28.7	17%	12%
Total	2,237	2,157	776.5	35%	36%

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 the period from 1st April to 9th August 2020

Service area	Good	Reasonable	Limited	Unsatisfactory	Total
Chief Executive	2	2	4	3	11
Finance, Governance and Assurance	1	1	4	2	8
Governance	0	01	0	0	1
Workforce and Transformation	1	0	0	1	2
Legal and Democratic	0	0	0	0	0
Adult Services	0	1	0	0	1
Social Care	0	1	0	0	1

Service area	Good	Reasonable	Limited	Unsatisfactory	Total
Public Health	0	0	0	0	0
Public Protection	0	0	0	0	0
Place and Enterprise	0	0	1	2	3
Children's Services	1	1	0	0	2
Children's Services: Schools	0	1	0	0	1
Children's Services: Others	1	0	0	0	1
Total for 2020/21 to date					
➤ Numbers	3	4	5	5	17
➤ Percentage	18%	24%	29%	29%	100%
Percentage 2019/20	15%	49%	22%	14%	100%
Percentage 2018/19	26%	41%	27%	6%	100%
Percentage 2017/18	20%	44%	29%	7%	100%

Table 3: Unsatisfactory and limited assurance opinions issued in the period from 1st April to 9th August 2020³

Unsatisfactory assurance

Finance, Governance and Assurance: Debt Recovery 2019/20 (Unsatisfactory 2018/19)

- The recommendations made in the previous audit have been implemented.
- There are adequate policies and procedures in place in respect of the recovery of debts.
- There are effective debt recovery actions carried out in practice which are in accordance with the policies and procedures.
- There is accurate and effective communication with relevant parties regarding debt recovery actions, the details of the outstanding debts and progress to collect the outstanding amounts.
- There are appropriate procedures in place to monitor recovery performance and report this to management.

Finance, Governance and Assurance: Sales Ledger 2019/20 (Reasonable 2018/19)

- The recommendations made in previous audit have been implemented.
- There are processes in place to ensure compliance with established policies and procedures.
- The set up and amendment of accounts and codes are monitored and authorised.
- The input and raising of income invoices is controlled, authorised and monitored.
- The income payments are collected and recorded accurately and promptly.
- Income received and debtors control accounts are accurately recorded in the general ledger.
- There are processes for the raising and authorisation of credit notes and write offs.
- Management information produced for debtors and invoices is timely and accurate.
- Information and data processing is secure and controlled in line with internal policy and legislation.

Place and Enterprise: Leisure Services Contracts 2019/20 (Limited 2015/16)

³ 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.

- Previous audit recommendations have been implemented.
- There is a contract in place and variations / extensions to the contract have been authorised correctly.
- Adequate insurance cover is held in accordance with the contracts.
- There are suitable arrangements in place to provide assurance that service delivery / performance targets are achieved in accordance with the Contract.
- There are suitable arrangements in place to verify that payments to the Contractor are valid and accurate.
- There is a clear process for dispute raising and resolution.
- The financial stability of the contractor is subject to periodic review.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.

Place and Enterprise: Theatre Severn 2019/20 (Limited 2017/18)

- 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.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.

Workforce and Transformation: Payroll 2019/20 ⁴(Good 2018/19)

- The recommendations made in the previous audit have been implemented.
- Policies and Procedures are in place which ensure compliance with legislation and internal regulations.
- Starters are appropriately authorised and set up in line with internal regulations.
- Employees are paid the correct amount each month to reflect contracted hours.
- Permanent variations are appropriately controlled.
- Temporary variations are appropriately controlled.
- There is a regular management review of the overpayments data and recoveries are appropriately controlled.
- Annual leave balances are correct.
- Transactions are processed to the ledger and reconciled on a regular basis.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.

Limited assurance

Finance, Governance and Assurance: General Ledger 2019/20 (Reasonable 2018/19)

- To establish the extent to which previous recommendations have been implemented.
- Payroll data is processed to the General Ledger in an accurate, timely, complete and secure manner.
- Council Tax feeder systems are processed to the General Ledger in an accurate, timely, complete and secure manner.
- NNDR feeder systems are processed to the General Ledger in an accurate, timely and secure manner.

⁴ Due to the instigation of business continuity plans following resourcing issues and then the outbreak of Covid-19, Audit were unable to complete a full review of the Payroll system and processes and in some instances only parts of a control objective were assessed/tested as reported to July Committee.

- Social Care feeder systems are processed to the General Ledger in an accurate, timely and secure manner.
- There is adequate segregation of duties within Corporate Finance and the Business World systems administration.
- The General Ledger system is backed up at frequent intervals.
- Interfaces into Business World are processed accurately and in a timely manner.

Finance, Governance and Assurance: Purchase Ledger 2019/20 (Limited 2018/19)

- The recommendations made in the previous audit have been implemented.
- Orders are raised in accordance with Financial Rules.
- Prepayment checks ensure that payments are made only to bona fide creditors on properly authorised invoices.
- Credit notes are actioned in a timely manner
- Appropriate input controls are in place and are operated effectively.
- Payments made are accurate, complete, have not been previously paid and are made at the optimal time.
- Management information in respect of payments to creditors is timely and adequate.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.
- There are appropriate arrangements in place for the prevention and detection of fraud. Suspected or attempted.

Finance, Governance and Assurance: Sales Ledger Periodic Income 2019/20

- The recommendations made in the previous sales ledger audit in respect of periodic income have been implemented.
- There are policies and procedures in place which ensure compliance with legislation and internal regulations.
- The fees and charges are regularly reviewed and are applied in an accurately and consistently.
- The income due is collected and updated to the general ledger in a timely manner.
- There is a trail from the goods and services provided to the charge made and income received.
- Management information is appropriate and provided in a timely and efficient manner.

Finance, Governance and Assurance: Imprest and Purchasing Card Spot Checks 2019/20

- Imprest Accounts are operated in accordance with Imprest Procedures and all monies can be accounted for.

Place and Enterprise: Partnerships 2019/20

- There is a register of all partnership arrangements entered in to in accordance with procedures specified by the Section 151 Officer.
- The approval of Cabinet is obtained before any negotiations are concluded on partnership arrangements.
- Risk management processes are in place to identify and assess all known risks.
- Project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
- Council partners agree the roles, responsibilities and accountabilities of each of the partners involved in the project before the project commences.

- There is sound financial management, with clear procedures for determining the financial liabilities of each partner.
- There is a clear operational timescale with a clear exit strategy that allows the partnership to be discontinued or, if exit is not appropriate, a continuation strategy.
- Appropriate information on partnerships is provided to the Section 151 Officer to enable a note to be entered into the statement of accounts.

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

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

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

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

Table 6: Glossary of terms

Significance

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

Head of Internal Audit Annual Opinion

The rating, conclusion and/or other description of results provided by the Head of

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

Governance

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

Risk

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

Control

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

Impairment

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

Table 7: Audit recommendations made in the period from 1st April to 9th August 2020

Service area	Number of recommendations made				
	Best practice	Requires attention	Significant	Fundamental	Total
Chief Executive	3	114	84	2	203
Finance, Governance and Assurance	3	101	74	2	180
Governance	0	0	0	0	0
Workforce and Transformation	0	13	10	0	23
Legal and Democratic	0	0	0	0	0
Adult Services	4	10	0	0	14
Social Care	4	10	0	0	14
Public Health	0	0	0	0	0
Public Protection	0	0	0	0	0
Place and Enterprise	0	29	28	2	59
Children's Services	0	26	11	0	37
Children's Services: Schools	0	24	11	0	35
Children's Services: Others	0	2	0	0	2
Total for 2020/21 to date					
➤ Numbers	7	179	123	4	313
➤ Percentage	2%	57%	39%	1%	100%

Service area	Number of recommendations made				
	Best practice	Requires attention	Significant	Fundamental	Total
Percentage 2019/20	1%	59%	39%	1%	100%
Percentage 2018/19	2%	60%	37%	1%	100%
Percentage 2017/18	3%	56%	41%	3%	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.

APPENDIX B

AUDIT PLAN BY SERVICE –PERFORMANCE REPORT FROM 1st APRIL 2020 to 9th AUGUST 2020

	Original Plan Days	September Revision	Revised Plan Days	9th August 2020 Actual	% Original Plan	% Revised Plan
CHIEF EXECUTIVE						
Governance	14	0	14	5.9	42%	42%
Finance Governance and Assurance						
Finance Transactions	135	-25	110	24.2	18%	22%
Finance and S151 Officer	88	14	102	5.9	7%	6%
Financial Management	83	-5	78	22.8	27%	29%
Procurement and Contract Management	30	0	30	11.3	38%	38%
Revenues and Benefits	59	-8	51	0.0	0%	0%
Risk Management and Insurance	7	-7	0	0.0	0%	0%
Treasury	18	1	19	8.4	47%	44%
	420	-30	390	72.6	17%	19%
Workforce and Development						
Human Resources	161	-104	57	28.6	18%	50%
Information Governance	8	-8	0	0.0	0%	0%
ICT	168	-51	117	24.4	15%	21%
Occupational Health and Safety	11	-8	3	2.4	22%	80%
Customer Services	13	-13	0	0.0	0%	0%
	361	-184	177	55.4	15%	31%
Legal and Democratic						
Code of Conduct - Gifts and Hospitality	6	-6	0		0%	0%
GDPR / DPA / Freedom of Information	10		10	9.1	91%	91%
Members Allowances	10	-10	0		0%	0%
	26	-16	10	9.1	35%	91%
CHIEF EXECUTIVE	821	-230	591	143.0	17%	24%
ADULT SERVICES						
Social Care Operations						
Long Term Support	117	-66	51	8.3	7%	16%
Assistive Services	5	5	10	9.5	190%	95%
	122	-61	61	17.8	15%	29%
Social Care Efficiency and Improvement						

	Original Plan Days	September Revision	Revised Plan Days	9th August 2020 Actual	% Original Plan	% Revised Plan
Developmental Support	12	-12	0	0.0	0%	0%
Public Health	29	-27	2	0.0	0%	0%
Public Protection						
Environmental Protection and Prevention- Public Protection	15	-15	0	0.0	0%	0%
Community Safety	8	-6	2	0.1	1%	5%
	23	-21	2	0.1	0%	5%
Bereavement	8	-8	0	0.0	0%	0%
ADULT SERVICES	194	-129	65	17.9	9%	28%
PLACE AND ENTERPRISE						
Business, Enterprise and Commercial Services						
Commercial Services	8	-3	5	2.5	31%	50%
Housing Services	10	-10	0	0.0	0%	0%
Shire Services	15	-15	0	0.0	0%	0%
Strategic Asset Services	13	-10	3	0.5	4%	17%
	46	-38	8	3.0	7%	38%
Economic Development						
Business Growth and Investment	19	-19	0	0.0	0%	0%
Development Management	8	0	8	2.8	35%	35%
Planning and Corporate Policy	8	7	15	8.8	110%	59%
Project Development	15	-15	0	0.0	0%	0%
	50	-27	23	11.6	23%	50%
Infrastructure and Communities						
Highways	95	-21	74	37.0	39%	50%
Library Services	6	-6	0	0.0	0%	0%
Public Transport	12	0	12	3.1	26%	26%
	113	-27	86	40.1	35%	47%
Culture and Heritage						
Theatre Severn and OMH	8	-6	2	2.1	26%	105%
Leisure Services	0	1	1	1.1	0%	110%
Visitor Economy	4	-4	0	0.0	0%	0%
	12	-9	3	3.2	27%	107%
PLACE AND ENTERPRISE	221	-101	120	57.9	26%	48%

	Original Plan Days	September Revision	Revised Plan Days	9th August 2020 Actual	% Original Plan	% Revised Plan
CHILDREN'S SERVICES						
Safeguarding						
Assessment and Looked After Children	15	-15	0	0.0	0%	0%
Children's Placement Services and Joint Adoption	49	-40	9	1.9	4%	21%
Safeguarding	20	-4	16	2.7	14%	17%
	84	-59	25	4.6	5%	18%
Learning and Skills						
Business Support	31	-24	7	2.5	8%	36%
Education Improvements	7	0	7	1.7	24%	24%
Primary/Special Schools	116	-95	21	0.5	0%	2%
Secondary Schools	10	-5	5	0.0	0%	0%
	164	-124	40	4.7	3%	12%
CHILDREN'S SERVICES	248	-183	65	9.3	4%	14%
Total Shropshire Council Planned Work	1,484	-643	841	228.1	15%	27%
CONTINGENCIES						
Advisory Contingency	60	-34	26	7.8	13%	30%
Fraud Contingency	200	-75	125	34.8	17%	28%
Unplanned Audit Contingency	50	-50	0	0.0	0%	0%
Other non-audit Chargeable Work	272	652	924	477.1	175%	52%
CONTINGENCIES	582	493	1,075	519.7	89%	48%
Total for Shropshire	2,066	-150	1,916	747.8	36%	39%
EXTERNAL CLIENTS	171	70	241	28.7	17%	12%
Total Chargeable	2,237	-80	2,157	776.5	35%	36%