



<u>Committee and Date</u>
Audit Committee
20 th July 2022
10am

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

INTERNAL AUDIT ANNUAL REPORT 2021/22

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1. Synopsis

- 1.1. *This report provides a summary of Internal Audit's work over 2021/22. Based on 389 recommendations across 47 reports and supporting evidence the Head of Audit's opinion provides 'Limited assurance' on the Council's framework for governance, risk and internal control.*

2. Executive Summary

- 2.1. This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2022. 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'*.
- 2.2. Final performance has been good with the revised plan being delivered above the 90% delivery target, in compliance with the Public Sector Internal Audit Standards and to the satisfaction of customers. Thirty good and reasonable assurances were made in the year accounting for 64% of the opinions delivered. This represents a 7% increase in the higher levels of assurance compared to the previous year, offset by a 7% decrease in limited and unsatisfactory opinions. The number of unsatisfactory opinions has remained relatively static at 17% (15% 2020-21).
- 2.3. Based on the Internal Audit work undertaken, and management responses received, I can offer *Limited assurance* for the 2021/22 year

that the Council's framework for governance, risk management and internal control is sound and working effectively.

- 2.4. There are a continuing and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. Management of Coronavirus has introduced unprecedented pressures and responses, and this inevitably has impacted upon my opinion. Managers' priorities have continued to be diverted to business continuity pressures and this has removed capacity to plan and deliver improvements to known internal control processes, leading to maintained and increased risks in some areas that may impact on delivery of the Council's objectives. The year has continued to be challenging with the embedding of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings, increase income and respond to changing Coronavirus pressures, at times on a daily and weekly basis.

3. Decisions

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

- 3.1. Performance against the Audit Plan for the year ended 31 March 2022.
- 3.2. That Internal Audit have evaluated the effectiveness of the Council's risk management, control and governance processes, considering 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 2021/22.
- 3.3. The Head of Audit's **Limited assurance**, year-end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively for 2021/22 based on the work undertaken and management responses received.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. 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. It is closely aligned to the Council's strategic and operational risk registers and 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.

- 4.2. Internal Audit operates a strategic risk-based plan. 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. At the end of the 2021/22 year the ongoing impact of Coronavirus meant that the Council was continuing with its business continuity plans and the impact of this is reflected in delivery of the planned audits at this time and the year-end opinion.
- 4.3. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015. There are no direct environmental or equalities consequences of this proposal.
- 4.4. Internal Audit customers are consulted on the service that they receive. Feedback is included in this report and continues to be very positive.

5. Financial Implications

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

6. Climate Change Appraisal

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

7. Background

- 7.1. This report is the culmination of the work of the Internal Audit team during 2021/22 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.
- 7.2. As the Accountable Officer, the Executive Director of Resources (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 plan for the proper administration of its financial affairs.
- 7.3. 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, Internal Audit are expected to comply with the Public Sector Internal Audit Standards to maintain an ongoing programme of quality assessment and improvement.

Scope and Purpose of Internal Audit

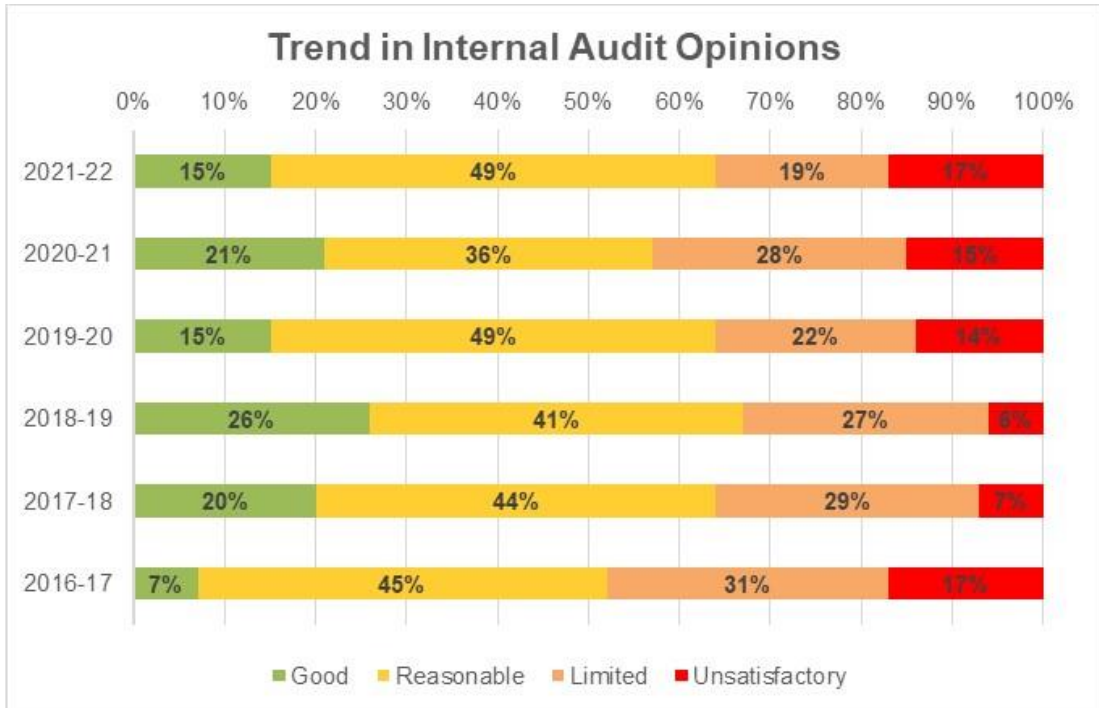
- 7.4. The Public Sector Internal Audit Standards define the scope of the annual report on internal audit activity. The annual report should include an assessment as to the extent to which compliance with the Standards has been achieved. This annual report provides an internal audit opinion that can 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.
- 7.5. 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.

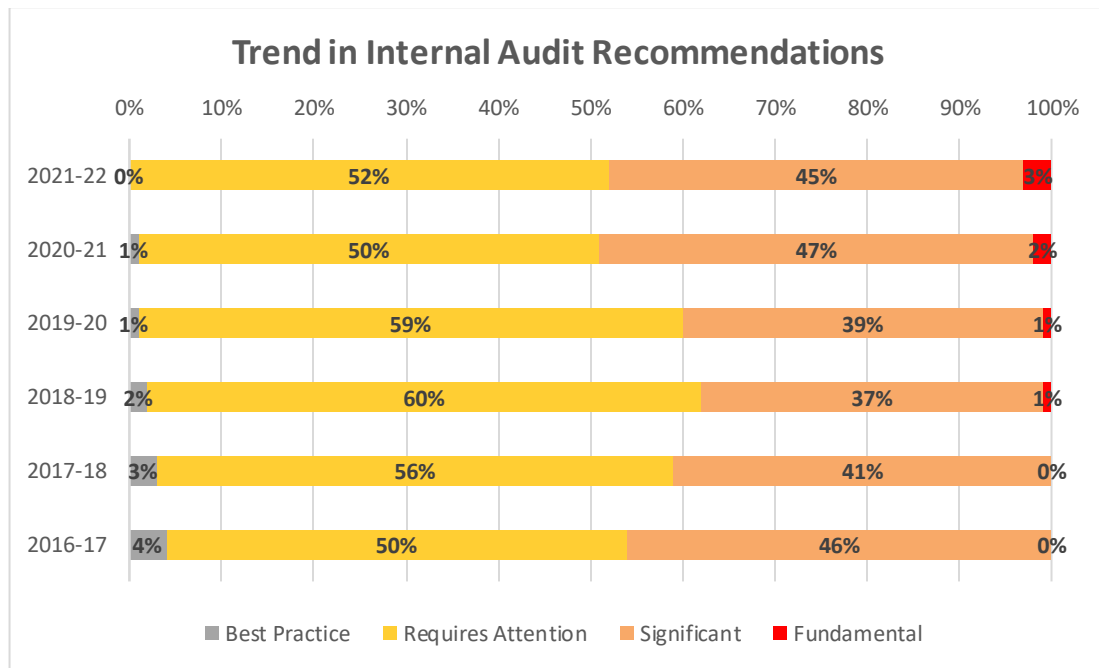
8. Additional Information

An update on the internal audit work undertaken.

- 8.1. The Internal Audit Plan 2021/22 was considered and approved by Audit Committee at its meeting on the 4th March 2021. The Plan provided for a total of 2,000 days. Revisions throughout the year to reflect changing risks and resources were reported to Audit Committee and the plan revised to 1,708 days. Revisions were necessary to respond to the Coronavirus and reflected changes to the Council's key risks and requirements.
- 8.2. The Head of Audit can confirm that the service has been free from interference throughout the year. Business continuity plans were mobilised for the complete year and this impacted on delivery in terms of changing scopes as did the impact of reduced resources, but activity still provided sound coverage for her opinion, which is explored later in this report. Final performance has been good and the target to deliver 90% of the annual plan has been achieved. **Appendix A, Table 1.**
- 8.3. 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 47 final reports have been issued in 2021/22, all are listed with their assurance rating and broken down by service area at **Appendix A, Table 2 and 3**
- 8.4. The following set of tables and graphs 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.
- 8.5. The assurance levels awarded to each completed audit area for 2021/22 are:



8.6. The overall spread of recommendations agreed with management following each audit review for 2021/22 appear in the following chart:



8.7. Thirty good and reasonable assurances were made in the year accounting for 64% of the opinions delivered. This represents a 7% increase in the higher levels of assurance compared to the previous year, offset by a 7% decrease in limited and unsatisfactory opinions. Eight unsatisfactory opinions and nine limited assurance opinions were issued.

- 8.8. A total of 389 recommendations have been made in the 47 final audit reports issued in the year; these are broken down by audit area and have been reported in more detail in performance reports to the Committee throughout the year. The percentage split of recommendations remains roughly the same with 48% significant and fundamental compared to 49% last year, with a corresponding increase in requires attention recommendations.
- 8.9. The number of fundamental recommendations has increased from 2% (8) to 3% (10) of the total number of recommendations. They were made on the following audits and have been reported to the Audit Committee throughout the year for awareness and appropriate management challenge:
- Adult Social Care Pre Planned Maintenance Contract
 - Brockton School
 - Dog Warden's Follow Up
 - Internet Security
 - IT Business Administration Follow Up
 - Microsoft Management Arrangements
 - Power Platform¹
 - Shrewsbury Town Council Horticultural Maintenance Contract
 - Tree Safety
- 8.10. It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 6** sets out the approach adopted to following up recommendations highlighting Audit Committee's involvement.
- 8.11. During 2021/22, Internal Audit continued to facilitate work on the National Fraud Initiative (NFI), the results of which will be reported to a later committee, and several internal audit reviews have been conducted to ensure appropriate controls are in place and are operational to counter the risk of fraud, see **Appendix A, Table 2**.
- 8.12. Counter fraud activities were further supported by learning following individual investigations. Where internal control weaknesses have been identified, results are reported in a management report and recommendations made and agreed to help reduce a repeat of any inappropriate activity.
- 8.13. 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. Details of the added value work have been reported to

¹ Line of business intelligence, application development, and application connectivity software applications

the Audit Committee throughout the year in the performance reports, headlines of which appear in **Table 2**.

8.14. Work has also been completed for external clients including honorary and voluntary bodies in addition to the drafting and auditing of financial statements.

An Annual Opinion on the Adequacy of the Council's Governance Arrangements

8.15. When 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 a level of assurance as to whether there are any major weaknesses to be found in risk management, governance and control processes, **Table 7 shows opinion criteria**.

8.16. 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 the strengths or weaknesses that exist, or of all the improvements that may be required.

8.17. 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 2022;
- Results of Corporate Governance review (reasonable assurance) and Risk Management (reasonable assurance);
- Results of fundamental audit reviews, self-assessments and their direction of travel; **Appendix A, Table 3**.
- 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;
- If 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.

8.18. Further consideration of the assurance levels of completed audits shows:

- i. The plan continued to flex to respond to changes to the risk environment including adjustments in response to COVID requirements, these were approved in September 2021 and February 2022 by Audit Committee. The revised planned work alongside other audit activity has helped provide the appropriate assurance to the Council. Some of the other areas contributing to the opinion appear in **Appendix A, Table 2.**
- ii. Auditors continued to provide support to pandemic activities, which provided a level of assurance. The service also assessed the Council against the Institute of Internal Auditors (IIA) Covid Assessment which provided assurances on Policy development; communication; technology; customers; supply and transportation. Recovery plans were well underway and the lessons learnt from the processes undergone have informed future responses and improved the speed at which the Council could mobilise in such situations if required going forward.
- iii. In some areas, it is acknowledged that services continued to be focused on delivering a response to COVID initiatives, suffered high level of absences and therefore the improvements required to systems were paused. This included some key fundamental financial systems. Several key system audit reviews have been conducted in year and will inform the opinion and some are in draft early 2022/23 that will contribute too; Appendix A, Table 3.
- iv. Where Internal Audit resources have been deployed to support service areas responding to the pandemic, a level of assurance can be taken from the knowledge gained in working within these areas and whilst not independently tested, professional judgement is applied in these unprecedented times and able to reflect on several governance, internal control and risk management issues. Areas are identified in the Appendix and some of the details are expanded below:

Governance

The Head of Audit was the Vice Chair of the Business Continuity Group and support to Business Continuity Team. This has provided a level of confidence in:

- Strategic planning, kept up to date with the Council's response to the pandemic, flooding, closure of Shirehall and other emergency incidents and the associated governance processes.
- Links with partners, volunteers and the community in delivering COVID initiatives.
- Director's decision making, evidence of timely escalation of issues that need addressing.

- Inclusion of all service areas in delivering services and responding to the pandemic.
- Regular meetings with the s151 Officer and Monitoring Officer to understand responses in the current climate.
- Health and safety issues considered and addressed for the work force and wider public.
- Formal virtual meetings established for Member committees.
- IIA Covid assessment.

Resources

- Live reporting on absences, staff resources, capacity, redeployment and secondment processes.
- Provision of data analytics to improve the quality of system data.
- Reconciliation of leave data on payroll systems to manager returns to inform and improve the process.
- Council tax energy support grant processes.
- Household support grants.

People

- Covid Test and Trace grants awarded to people told to self-isolate.
- Covid PPE procurement and allocation.
- Adult Social Care COVID grants.
- Ukrainian homes grant processes.
- Troubled families grant ensuring support is targeted at preventative multi agency work.
- Good Ofsted report received.

Place

- Grants to businesses facing difficulties required extensive and ongoing validation of financial and business checks prior to payment and ongoing counter fraud data matching through the National Fraud Initiative.
- Covid travel demand management grant.

Auditees respected and appreciated the flexibility with which the Team delivered Audit activity during the year whilst maintaining our independence and objectivity.

- v. There are concerns that some of the unsatisfactory assurances are repeat offenders and whilst it is recognised that complex areas take time to turn around, there has been a focus on addressing these by escalating to Executive Directors for appropriate action. The Refocus Programme has not been reviewed since its focus is being realigned once the new Target Operating Model is established in mid-2022.

- vi. Cyber security is key, and the Council's reliance on digital systems significant. Audit reviews in these areas have identified areas of risk that require investment in the control environment. The Service area has seen changes at senior level and the recruitment to key posts is underway and should strengthen delivery going forward. In addition, an updated 2022 Digital Strategy is currently being drafted. Once finalised and published it will direct resources to priorities for the coming years.
 - vii. Given the overall proportion of assurance levels of key systems and delays in delivering improved controls (some of which were fundamental and significant) due to the impact of COVID activity, the level of assurance the Head of Audit can provide to the Council is impacted upon.
 - viii. It is planned to revisit unsatisfactory audits and fundamental recommendations in 2022/23.
- 8.19. When considering the points above, the Head of Audit can offer limited assurance for 2021/22 in her year-end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively.
- 8.20. 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, support to the Council in responding to the COVID pandemic and management responses received; I can offer limited assurance for the 2020/21 year on the Council's framework for governance, risk management and internal control. There are a continuing and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. Management of Coronavirus has introduced unprecedented pressures and responses, and this inevitably has impacted upon my opinion. Managers' priorities have been diverted to business continuity pressures and this has removed capacity to plan and deliver improvements to known internal control processes, leading to maintained and increased risks in some areas that may impact on delivery of the Council's objectives. The year has continued to be challenging with the embedding of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings, increase income

and respond to changing Coronavirus pressures, at times on a daily and weekly basis.

Information on the performance of Internal Audit including results of the quality and assurance programme and progress against the improvement plan.

8.21. 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 2021/22	Actual 2021/22
Percentage of revised plan delivered	90%	97%
Compliance with Public Sector Internal Audit Standards	Compliant	Compliant
Percentage of customers satisfied overall with the service	80%	%

8.22. 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. 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.

- 8.23. 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.
- 8.24. An annual review of Internal Audit is conducted in the form of a self-assessment and conformed 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 (QAIP) 2021/22. In addition, an external assessment conducted by CIPFA and reported on to a February 2022 meeting of this Committee demonstrated compliance with the PSIAS, the external assessment will be repeated in five years' time. The team was also shortlisted early 2022 by the Institute of Internal Auditors for two awards: Outstanding Internal Audit Team in the Public Sector and Inspirational Leader, the results of which will be known by the Committee date.
- 8.25. 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 meetings with individual auditors. 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.
- 8.26. Customers are asked for feedback on their audit experience and quality of the service after most reviews. This helps to ensure that audit work meets client expectations and that quality is maintained. The percentages of excellent and good responses for the last three years are detailed in **Appendix A, Table 8** and remain above our target, but we

are not complacent. The percentage of customers scoring the service as high or excellent has increased slightly (92 to 94%). Where individual ratings are low, or showing a downward trend, we do value the opportunity to explore the reasons for these with our customer to identify the key issues and improve where appropriate and possible.

- 8.27. During the last year several compliments and comments have been received in respect of the service from both questionnaires and directly, a selection of these appears at **Appendix A, Table 9**. Most comments have been very positive reflecting the hard work the team devote to establishing a good professional relationship with clients and making the client comfortable and the process as easy as possible whilst still delivering the service. All other comments are followed up with the author to identify where lessons can be learnt and improvements made.
- 8.28. 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

- 8.29. The Council had a well-established Audit Committee in place 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 received 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.
- 8.30. 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.
- 8.31. 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, an example is the Highways Term Maintenance Contracts.

9. Conclusions

- 9.1. The Internal Audit Service has completed enough independent activity for the Head of Audit to provide an annual opinion on the adequacy of the Council's framework for governance, risk management and internal control, the overall opinion is limited.

9.2. Information on the performance of Internal Audit demonstrates compliance with the PSIAS and no areas of significant concern.

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 2021/22 - Audit Committee 4th March 2021

Internal Audit Performance and Revised Annual Audit Plan 2021/22 – Audit Committee 16th September 2021

Internal Audit Performance and Revised Annual Audit Plan 2021/22 – Audit Committee 22nd February 2022

Public Sector Internal Audit Standards (PSIAS).

PSIAS External Assessment.

Audit management system.

Accounts and Audit Regulations 2015, 2018 and Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

Cabinet Member (Portfolio Holder)

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

Local Member

All

Appendices

Appendix A

Table 1: Summary of actual audit days delivered against plan 2021/22

Table 2: Final audit report assurance opinions issued in 2021/22

Table 3: Audit opinions made on fundamental systems 2021/22

Table 4: Audit assurance opinions

Table 5: Audit recommendation categories

Table 6: Recommendation follow up process (risk based)

Table 7: The principles and assurance criteria applied to the Head of Audit's opinion

Table 8: Customer Feedback Survey Forms

Table 9: Summary of compliments and comments 2021/22

Appendix B - Audit plan by service – annual report 2021/22

APPENDIX A

Table 1: Summary of actual audit days delivered against plan 2021/22

	Original Plan	Revised Plan	31 st March 2022 Actual	% of Original Complete	% of Revised Complete
Chief Executive	36	19	15.7	44%	83%
Resources	769	522	454.6	59%	87%
Finance	512	315	270.1	53%	86%
Workforce and Development	68	52	45.4	67%	87%
Business Intelligence	189	155	139.0	74%	90%
Legal and Democratic	0	0	0.1	0%	0%
People	285	201	203.9	72%	101%
Adult Social Care	95	77	76.3	80%	99%
Public Health	19	0	0.0	0%	0%
Public Protection	8	10	9.8	123%	98%
Bereavement	38	16	15.9	42%	99%
Children's Services	83	23	22.0	27%	96%
Schools	42	75	79.9	190%	107%
Place	195	226	210.7	108%	93%
S151 Planned Audit	1,285	968	884.9	69%	91%
Contingencies and other chargeable work	493	483	543.3	110%	112%
Total S151 Audit	1,778	1,451	1,428.2	80%	98%
External Clients	222	257	227.0	102%	88%
Total	2,000	1,708	1,655.2	83%	97%

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 2021/22

Summary

Audits 2021 / 22	Assurance	%	Direction of travel ²	Audits 2020 / 21	%	Audits 2019 / 20	%
7	Good	15	↓	11	21	11	15
23	Reasonable	49	↑	19	36	35	49
30	Sub total	64	↑	30	57	46	64
9	Limited	19	↑	15	28	16	22
8	Unsatisfactory	17	↓	8	15	10	14
17	Sub total	36	↑	23	43	26	36
47	Overall total	100		53	100	72	100

Full details

	Audit	Assurance
1	CM2000 Decommissioning ³	Good
2	Supporting Families Grant	Good
3	Housing Provision - Development Cornovii	Good
4	Covid Test and Trace Grants	Good
5	National Non Domestic Rates	Good
6	Covid PPE ⁴ procurement and allocation	Good
7	Equitrac print management solution	Good
8	Corporate Governance 2020/21	Reasonable
9	Corporate Governance 2021/22	Reasonable
10	Parking Cash Collection 2020/21	Reasonable
11	Appointeeships and Deputyships	Reasonable
12	ASC ⁵ Management Controls Audit (Safeguarding)	Reasonable
13	Adult Social Care Assessments	Reasonable
14	Controcc Application	Reasonable
15	Trinity Primary School	Reasonable
16	Housing Strategy	Reasonable
17	Smallholdings Estate	Reasonable
18	Local Transport Plan	Reasonable
19	Shirehall Reconfiguration and Maintenance	Reasonable

² Based on percentages

³ Care management software

⁴ Personal protective equipment

⁵ Adult Social Care

	Audit	Assurance
20	Comino ⁶ Application 2020/21	Reasonable
21	Adobe Sign	Reasonable
22	Procurement Arrangements	Reasonable
23	Council Tax Collection	Reasonable
24	Income Collection	Reasonable
25	Apprenticeship Levy 2020/21	Reasonable
26	Risk Management	Reasonable
27	Digital Mailroom Project	Reasonable
28	Information Technology Change Management	Reasonable
29	Patch Management 2021/22	Reasonable
30	Members Allowances 2020/21	Reasonable
31	Deferred Payments	Limited
32	Bishops Castle Community College	Limited
33	Repurposing Project Pride Hill 2020/21	Limited
34	Highways Term Maintenance - Kier Contract	Limited
35	Encryption 2020/21	Limited
36	Microsoft Dynamics Customer Relationship Application	Limited
37	Information Security Management	Limited
38	Information Technology Code of Practice	Limited
39	Legacy Infrastructure and Systems	Limited
40	Brockton Primary School	Unsatisfactory (FR) ⁷
41	Tree Safety 2020/21	Unsatisfactory (FR)
42	Registrars Service - Income Collection	Unsatisfactory
43	Dog Warden's Follow Up	Unsatisfactory (FR)
44	The Lantern	Unsatisfactory
45	Internet Security 2020/21	Unsatisfactory (2FR)
46	Information Technology Business Administration Follow-up	Unsatisfactory (FR)
47	Microsoft Management Arrangements	Unsatisfactory (FR)

	Other areas contributing to the opinion	
1	Compliance and Enforcement Surge Funding Grant	Grant
2	Covid Travel Demand Management Grant	Grant
3	Building Digital UK Grant	Grant
4	Local Transport Bus Services Operating Grant	Grant
5	Department for Transport Asset Funding	Grant
6	Cash Collection Review	Consultancy
7	Institute of Internal Auditors Covid Assessment	Consultancy
8	Purchase to Pay Outstanding Order Balances	Consultancy
9	Adult Social Care Covid Grants	Consultancy

⁶ Electronic Document and Records Management System

⁷ FR with fundamental recommendation

	Other areas contributing to the opinion	
10	Counter Fraud Pilot	Consultancy
11	Feedback and Insight Team Health check	Consultancy
12	Environmental Management System Replacement Project	Consultancy
13	National Fraud Initiative	Consultancy
14	Payroll Data Analytics	Consultancy
15	Refocus Programme	Consultancy
16	Schools Financial Value Standard	Consultancy
17	Schools Self Assessments	Consultancy
18	Shirehall System Security Project	Consultancy
19	Community Asset Grants	Consultancy
20	Hire Serve Recruitment Process	Consultancy
21	Purchase to Pay Data Analytics	Consultancy
22	Power Platform	Consultancy
23	Shropshire Council Land Transfers	Consultancy
24	Access Control Data Analytics	Consultancy
25	Fix My Street Project	Consultancy
26	Flexi route Implementation Project	Consultancy
27	Information Technology (IT) Governance, Head of IT Recruitment and IT update Meetings	Consultancy
28	Local Government Service Action Plan	Consultancy
29	Cyber Strategic Risk Consultancy	Consultancy
30	Microsoft Defender security software replacement	Consultancy
31	ISIGIT ⁸ Meetings	Consultancy
32	Digital Skills Programme - Grant Funding Process	Consultancy
33	Duplicate Payments - Fiscal/IDEA ⁹	Consultancy
34	Social Value Fund	Consultancy
35	Adoption of New IT Systems Gateway	Consultancy
36	Application Development Management Arrangements 2021/22	Consultancy
37	Digital Strategy 2022/25 Consultancy	Consultancy
38	Intelligent-I ¹⁰ 2021/22	Consultancy
39	IT Service Delivery Management and Control 2021/22	Consultancy
40	Phishing Awareness testing	Consultancy
41	Dog Wardens Follow Up Testing	Consultancy
42	Council Tax Energy Support Grant 2021/22	Consultancy
43	Household Support Grant	Consultancy
44	Pontesbury Project Individual Service Funds	Consultancy
45	ResourceLink ¹¹ Advice	Consultancy
46	Schools Cyber Security	Consultancy
47	Spear Phishing Cyber response	Consultancy

⁸ Information Systems, Information Governance and IT

⁹ Computer audit assisted software tools

¹⁰ Data reporting facility

¹¹ Payroll and Human Resources software

Other areas contributing to the opinion		
48	Ukrainian Homes Grant	Consultancy

Key

Text in blue	High risk from an audit perspective
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Table 3: Audit opinions made on fundamental systems

Fundamental system	Direction of travel	Level of assurance given
Corporate Governance 21/22	=	Reasonable
Business Rates (NDR)	=	Good
Council Tax	=	Reasonable
Income	=	Reasonable
General Ledger (Draft as at 31/03/22)	=	Limited
Periodic Income (Draft as at 31/03/22)	↑	Reasonable
Risk Management	↓	Reasonable
Payroll (Drafted after 1/4/22)		TBC ¹²
Purchase Ledger (Drafted after 1/4/22)		TBC

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.

¹² To be confirmed at Committee

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: Recommendation follow up process (risk based)

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

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

Table 7: The principles and assurance criteria applied to the Head of Audit’s opinion:

Principles applied to the opinion:

1. Authentic: Opinions are fair, reliable and honest
2. Transparent: Opinions are qualified with evidence or professional judgement
3. Strategic: Macro level information without undue detail
4. Insightful: Information is engaging and generates discussion
5. Resolute: Opinion is delivered with courage and conviction

Assurance criteria applied:

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

Opinion	Indication of when this type of opinion may be given**	Traditional Opinion
	Lack of management action to deliver improvements, may be identified by repeating recommendations of a high or critical risk.	
Disclaimer	An opinion cannot be issued because insufficient internal audit work has been completed due to either: -restrictions in the agreed audit programme, which means that audit work would not provide enough evidence to conclude on the adequacy and effectiveness of governance, risk management and control, or - unable to complete enough reviews and gather enough evidence to conclude on the adequacy of arrangements for governance, risk management and control.	Qualified

** Indicators refer not only to Internal Audit reviews, but wider assurance providers and intelligence from across the business that is evidenced, an example would be peer reviews.

Table 8: Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2019 / 2020	2020 / 2021	2021/22	Direction of Travel
Pre-audit arrangements	85%	88%	85%	↓
Post-audit briefing	84%	88%	86%	↓
Audit coverage/scope of the audit	84%	82%	89%	↑
Timeliness of production of report	86%	91%	90%	↓
Accuracy and clarity of report	85%	88%	88%	↔
Practicality of recommendations	80%	79%	84%	↑
Professionalism of approach	94%	93%	98%	↑
Communication skills	95%	93%	99%	↑

Item Being Scored	2019 / 2020	2020 / 2021	2021/22	Direction of Travel
Timeliness, competence, manner	86%	85%	88%	↑
Number of forms returned	44	47	34	
% of forms scored as excellent and good	95%	92%	94%	↑

Table 9: Summary of compliments and comments 2021/22¹³

IT Application: The audit was communicated very well and I would like to thank x for being understanding when we needed some flexibility around the audit deadline – which was due to workload pressures with Covid.

It was extremely pleasing that the Auditor had recognised improvement since the previous audit as we have worked hard to rectify previous issues.

I have found this audit extremely useful. Having had a very pressured year I was aware that there were improvements to be made around change management and have been unable to find the time to focus on a review. The audit has helped to clarify where and provide useful recommendations as to what improvements can be and should be made.

A helpful report.

This was a reassuring process and has provided helpful clarity from an independent perspective on the governance of the Company. It was also appreciated that Audit noted the work that had already been initiated in this regard, and took it fully into account, saving time and effort by avoiding duplication.

The audit that was carried out was done very well. I was made to feel comfortable with the evidence gathering and most of this was done via teams in a live environment. We captured most data and evidence gathering in a single session, answering most of the detail needed. Once reviewed, the follow up queries came very soon after the evidence was gathered. This made the process easy to refer to the previous session.

Just a note that we particularly appreciated the way that the main information/documentation required for the audit was requested in one e-mail prior to the audit, keeping requests during the audit to a minimum i.e. generally just follow up questions. As a result the audit ran very smoothly during what is a very busy time for us. Communication during the audit was also excellent, with

¹³ Depersonalised for public reporting

a TEAMS meeting at the commencement and completion of the audit and regular updates on the status of the audit during the audit.

The Auditor's approach, support and communication throughout the audit must be commended. I would also add that she took the time to explain her findings and recommendations in detail prior to issuing the report for the required action plan, so thank you.

Very good piece of work and valuable contribution from the Auditor.

We were happy with the audit process, the professionalism of the Auditor, the considerate and practical nature of the recommendations. Last year's audit has helped us tremendously in reviewing our processes and supporting the delivery of our regional improvement programme. It has also assisted in enhancing our reputation with regional and national partners whom we rely upon for funding and to assist us influencing the national adult social care policy agenda. Thanks for your input again this year and helping to set us on further journey to improve our 'control environment' further.

Can I just say a very big personal thank you to Audit services, in particular for your work this year supporting us through the audit process. The volume of audits as we know can cause us issues and the assistance and forbearance shown as we navigate the programme is much appreciated. Real value to the business is derived as we are challenged to improve our controls and processes and we always take them as an opportunity to be better. I would also say that the Auditor has been very supportive of the Information Governance work and makes a significant contribution to keeping me sane throughout the year.

Whilst the audit was aimed at ICT, a lot of the recommendations have wider implications for the Council as a whole. Either as a cause of some of the difficulties, or as a need to help design solutions to issues and provide necessary resourcing.

Coronavirus had an impact on carrying out the audit because the auditor was called away to other duties as part of the Council's response to the pandemic. This was not a fault of the audit process itself and just an unfortunate consequence of the virus.

We had an exchange before the review about whether this was a review or an audit. A lesson for me as much as anything on the importance of handling what can be sensitive exchanges on matters like this, as there were issues of engagement early on from parties who were concerned at how the review would be conducted, how findings and information would be shared, etc. It's worth thinking about this from the outset to ensure that full cooperation is provided and there is no risk of confusion as to the status of the work undertaken, or how it may be shared or applied.

APPENDIX B

AUDIT PLAN BY SERVICE – ANNUAL REPORT 2021/22

	Original Plan Days	August Revision	January Revision	Revised Plan Days	31st March 2022 Actual	% of Original Complete	% of Revised Complete
CHIEF EXECUTIVE							
Governance	36	-6	-11	19	15.7	44%	83%
CHIEF EXECUTIVE	36	-6	-11	19	15.7	44%	83%
RESOURCES							
Finance							
Finance Transactions	66	1	2	69	42.9	65%	62%
Finance and S151 Officer	265	-108	-45	112	102.9	39%	92%
Financial Management	88	-45	-10	33	24.5	28%	74%
Procurement	48	4	-5	47	45.0	94%	96%
Revenues and Benefits	45	6	2	53	53.3	118%	101%
Treasury	0	1	0	1	1.5	0%	150%
	512	-141	-56	315	270.1	53%	86%
Workforce and Development							
Risk Management and Insurance	7	2	2	11	12.1	173%	110%
Human Resources	56	-5	-15	36	28.1	50%	78%
Occupational Health and Safety	5	0	0	5	5.2	104%	104%
	68	-3	-13	52	45.4	67%	87%

	Original Plan Days	August Revision	January Revision	Revised Plan Days	31st March 2022 Actual	% of Original Complete	% of Revised Complete
Business Intelligence							
Corporate Performance Management	0	20	0	20	19.9	0%	100%
ICT	171	-14	-40	117	108.4	63%	93%
Information Governance	18	0	0	18	10.7	59%	59%
	189	6	-40	155	139.0	74%	90%
Legal and Democratic							
Committee Services	0	0	0	0	0.1	0%	0%
RESOURCES	769	-138	-109	522	454.6	59%	87%
PEOPLE							
Adult Social Care							
Social Care Operations	73	-32	3	44	42.5	58%	97%
Social Care Efficiency and Improvement	22	11	0	33	33.8	154%	102%
	95	-21	3	77	76.3	80%	99%
Public Health	19	-12	-7	0	0.0	0%	0%
Public Protection							
Environmental Protection and Prevention	0	10	0	10	9.8	0%	98%
Community Safety	8	-8	0	0	0.0	0%	0%

	Original Plan Days	August Revision	January Revision	Revised Plan Days	31st March 2022 Actual	% of Original Complete	% of Revised Complete
	8	2	0	10	9.8	123%	98%
Bereavement							
Bereavement	15	-15	0	0	0.0	0%	0%
Superintendent Registrar	23	0	-7	16	15.9	69%	99%
	38	-15	-7	16	15.9	42%	99%
Children's Safeguarding							
Children's Placement Services & Joint Adoption Safeguarding	40	-15	-25	0	0.6	2%	0%
	20	0	-6	14	13.2	66%	94%
	60	-15	-31	14	13.8	23%	99%
Learning, Employment and Training	8	-8	0	0	0.0	0%	0%
Learning and Skills							
Business Support	8	0	-7	1	0.8	10%	80%
Education Improvements	7	4	-3	8	7.4	106%	93%
Primary/Special Schools	32	1	23	56	61.2	191%	109%
Secondary Schools	10	0	9	19	18.7	187%	98%
	57	5	22	84	88.1	155%	105%
PEOPLE	285	-64	-20	201	203.9	72%	101%

	Original Plan Days	August Revision	January Revision	Revised Plan Days	31st March 2022 Actual	% of Original Complete	% of Revised Complete
PLACE							
Business, Enterprise and Commercial Services							
Housing Services	13	-5	2	10	9.5	73%	95%
Property and Development	31	3	2	36	39.9	129%	111%
	44	-2	4	46	49.4	112%	107%
Economic Development							
Business Growth and Investment	13	7	-5	15	15.3	118%	102%
Environment and Sustainability	0	1	0	1	0.8	0%	80%
	13	8	-5	16	16.1	124%	101%
Infrastructure and Communities							
Highways	76	-13	23	86	81.9	108%	95%
Library Services	6	0	25	31	29.2	487%	94%
Public Transport	12	2	3	17	7.9	66%	46%
	94	-11	51	134	119.0	127%	89%
Culture and Heritage							
Theatre Severn and OMH	8	0	-8	0	0.0	0%	0%
Leisure Services	32	-6	4	30	26.2	82%	87%
Visitor Economy	4	0	-4	0	0.0	0%	0%
	44	-6	-8	30	26.2	60%	87%
PLACE	195	-11	42	226	210.7	108%	93%

	Original Plan Days	August Revision	January Revision	Revised Plan Days	31st March 2022 Actual	% of Original Complete	% of Revised Complete
Total Shropshire Council Planned Work	1,285	-219	-98	968	884.9	69%	91%
CONTINGENCIES							
Advisory Contingency	60	-10	-15	35	39.3	66%	112%
Fraud Contingency	150	-20	-60	70	67.1	45%	96%
Unplanned Audit Contingency	50	-41	-9	0	0.0	0%	0%
Other non audit Chargeable Work	233	58	87	378	436.9	188%	116%
CONTINGENCIES	493	-13	3	483	543.3	110%	112%
Total for Shropshire	1,778	-232	-95	1,451	1,428.2	80%	98%
EXTERNAL CLIENTS	222	29	6	257	227.0	102%	88%
Total Chargeable	2,000	-203	-89	1,708	1,655.2	83%	97%