



**Committee and Date**

Audit Committee

20<sup>th</sup> July 2023

10:00am

Item

Public



## Internal Audit Annual Opinion 2022/23

<b>Responsible Officer:</b>	Barry Hanson		
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<b>Cabinet Member (Portfolio Holder):</b>	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder – Finance and Corporate Resources		

### 1. Synopsis

This report provides a summary of Internal Audit’s work over 2022/23. Based on 477 recommendations across 44 reports and supporting evidence the Chief Audit Executive’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 2023. It informs on delivery against the approved annual audit plan and includes the Chief Audit Executive’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. Twenty six good and reasonable assurances

were made in the year accounting for 59% of the opinions delivered. This represents a 5% decrease in the higher levels of assurance compared to the previous year, balanced by a 5% increase in limited and unsatisfactory opinions. The number of unsatisfactory opinions has reduced slightly to 11% (17% 2021-22).

2.3. Based on the Internal Audit work undertaken, and management responses received, I can offer Limited assurance for the 2022/23 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. The year has continued to be challenging with the continued development 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 delayed service impact from the pandemic.

### 3. Decisions

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

- a) the performance of Internal Audit against the 2022/23 Audit Plan.
- b) 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 2022/23.
- c) The Chief Audit Executive's Limited assurance, year-end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively for 2022/23 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.
- 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 2022/23 and seeks to provide:
- A summary of 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.

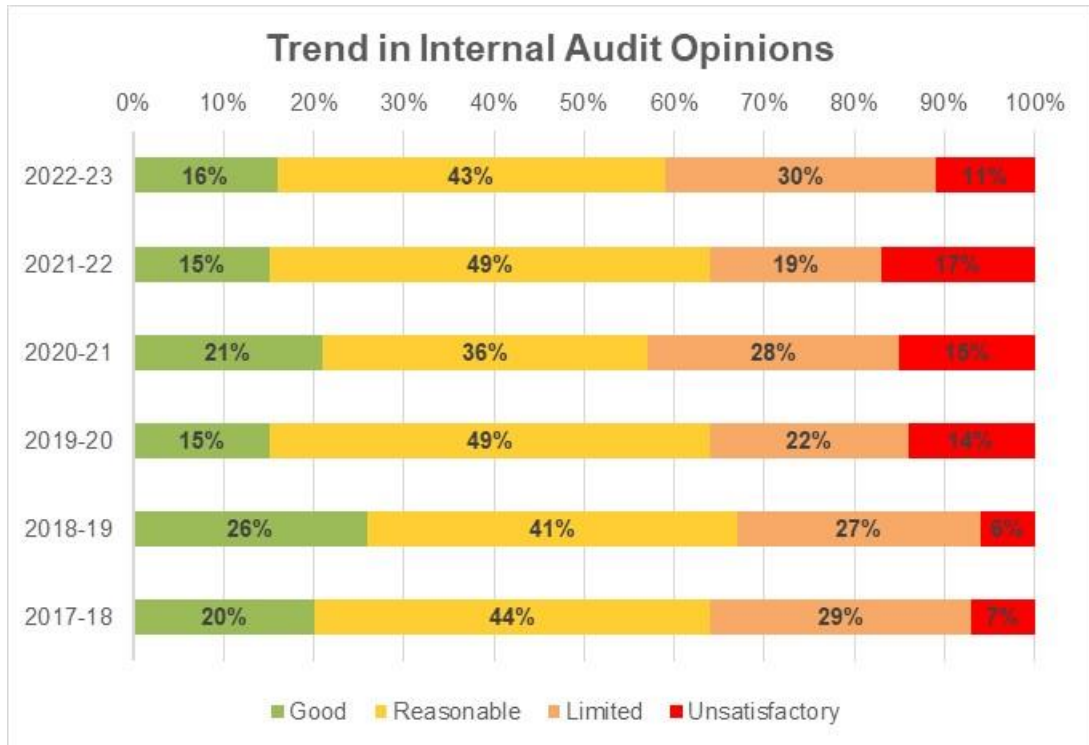
## Scope and Purpose of Internal Audit

- 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.

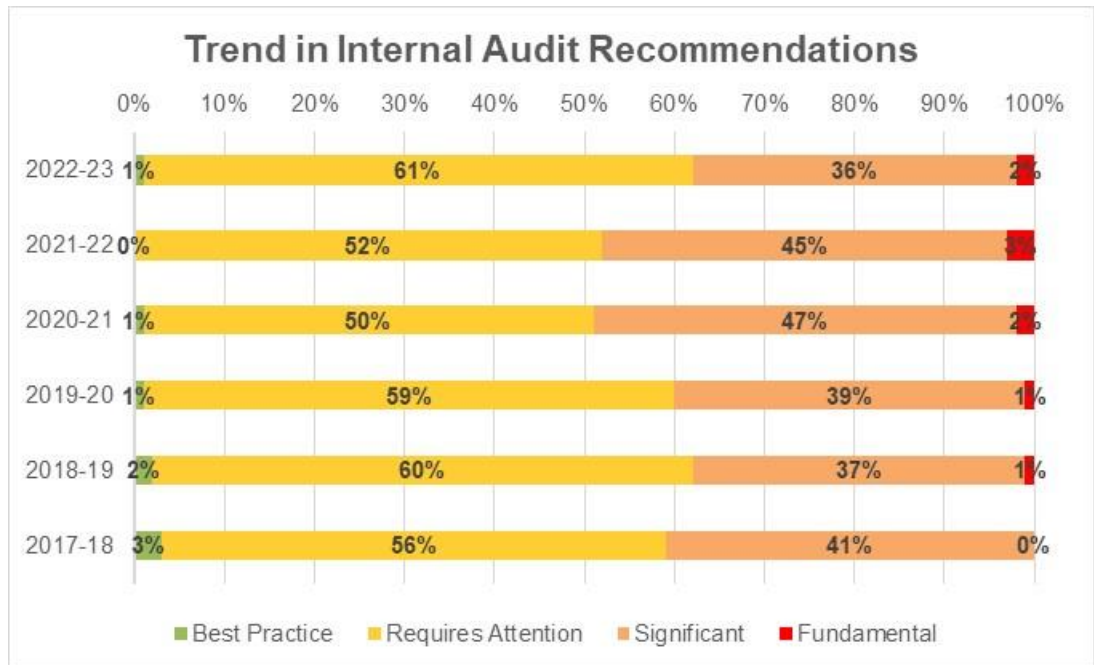
## 8. Internal Audit Work Undertaken in 2022/23

- 8.1. The Internal Audit Plan 2022/23 was considered and approved by Audit Committee at its meeting on the 22<sup>nd</sup> February 2022. The Plan provided for a total of 1,429 days. Revisions throughout the year to reflect changing risks and resources were reported to Audit Committee and the plan revised to 1,569 days. Revisions were necessary to respond to changes to the Council's key risks and requirements.
- 8.2. The Chief Audit Executive can confirm that the service has been free from interference throughout the year. Activity provided sound coverage for the 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 44 final reports have been issued in 2022/23, 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 2022/23 are:



8.6. The overall spread of recommendations agreed with management following each audit review for 2022/23 appear in the following chart:



8.7. Twenty six good and reasonable assurances were made in the year accounting for 59% of the opinions delivered. This represents a 5% decrease in the higher levels of assurance compared to the previous year, balanced by a 5% increase in limited and unsatisfactory opinions. Five unsatisfactory opinions and 13 limited assurance opinions were issued.

- 8.8. A total of 477 recommendations have been made in the 44 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 has changed with 38% significant and fundamental compared to 48% last year, with a corresponding increase in requires attention recommendations.
- 8.9. The number of fundamental recommendations has decreased slightly from 3% to 2% 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:
- Individual Service Funds
  - Tree Safety
  - Backup Arrangements
  - Microsoft Azure and Power Platform Follow Up
  - IT Business Administration
  - Payroll 2021/22
  - Information Security Management Follow Up
- 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 2022/23, 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 the Audit Committee throughout the year in the performance reports, headlines of which appear in **Appendix A 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, **Appendix A 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 his opinion, the Chief Audit Executive has taken the following matters into account:
- Results of all audits undertaken during the year ended 31 March 2023;
  - Results of Corporate Governance review (reasonable assurance) and Risk Management (good 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, , these were approved in September 2022, November 2022 and February 2023 by the 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. 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.
  - iii. The Refocus Programme was not subject to review whilst its focus was being realigned once the new Target Operating Model established in mid-2022. This programme has been followed by the launch of The Shropshire Plan and delivery transformation partner PwC.
  - iv. Cyber security continues to be key, and the Council's reliance on digital systems significant. Audit reviews in these areas have identified increased areas of risk that require investment in the control environment. During 2022/23 there has been an increase in the number of limited and unsatisfactory assurance levels. A new Digital Strategy, aligned to The Shropshire Plan was published in January 2023.
  - v. Given the overall proportion of assurance levels of key systems and delays in delivering improved controls (some of which were fundamental and significant), the level of assurance the Chief Audit Executive can provide to the Council is impacted upon. Payroll was not audited during 2022/23 as management provided assurance that the required improvements had not been made. The assurance level in this area remains unsatisfactory.



- vi. It is planned to revisit unsatisfactory audits and fundamental recommendations in 2023/24.

8.19. When considering the points above, the Chief Audit Executive can offer limited assurance for 2022/23 in his 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 management responses received; I can offer limited assurance for the 2022/23 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. The year has continued to be challenging with the continued development of key fundamental line of business systems (financial and human resources – Unit4 ERP), changes of key managerial posts, alongside a challenge to deliver savings and increasing income. The Council has set out its strategy within The Shropshire Plan and service plans are being aligned to the identified priorities. A new strategic partner has been engaged with to help deliver the plan but this is still at the inception stage.*

**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 2022/23	Actual 2022/23
Percentage of revised plan delivered	90%	94%
Compliance with Public Sector Internal Audit Standards	Compliant	Compliant
Percentage of customers satisfied overall with the service	80%	91%

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, and
- 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 confirmed 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) 2022/23. In addition, an external assessment conducted by CIPFA and reported on to the February 2022 meeting of this committee demonstrated compliance with the PSIAS, the external assessment will be repeated in 2027.

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 corporate financial commitment to training and developing staff the budget for which is managed centrally. Training provision is reviewed continually through the new Personal Development Plans (PDP) 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 (94% to 97%). 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 Payroll system.

## **9. Conclusions**

- 9.1. The Internal Audit Service has completed enough independent activity for the Chief Audit Executive 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)**

Internal Audit Performance and Revised Annual Audit Plan 2022/23 – Audit Committee 14<sup>th</sup> February 2023

Internal Audit Performance and Revised Annual Audit Plan 2022/23 – Audit Committee 24<sup>th</sup> November 2022

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

Draft Internal Audit Risk Based Plan 2022/23 - Audit Committee 22<sup>nd</sup> February 2022  
Public Sector Internal Audit Standards (PSIAS)  
Audit Management system

Accounts and Audit Regulations 2015, 2018 and Accounts and Audit (Coronavirus)  
(Amendment) Regulations 2020, Amendment Regulations 2022

**Local Member:** All

## Appendices

### Appendix A

Table 1: Summary of actual audit days delivered against plan 2023/23

Table 2: Final audit report assurance opinions issued in 2022/23

Table 3: Audit opinions made on fundamental systems 2022/23

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 Chief Audit Executive's opinion

Table 8: Customer Feedback Survey Forms

Table 9: Summary of compliments and comments 2022/23

**Appendix B** - Audit plan by service – annual report 2022/23

APPENDIX A

**Table 1: Summary of actual audit days delivered against plan 2022/23**

	Original Plan	Revised Plan	31 <sup>st</sup> March 2023 Actual	% of Original Complete	% of Revised Complete
Chief Executive	14	18	17.8	127%	99%
Health and Wellbeing	10	57	57.9	579%	102%
People	65	143	125.6	193%	88%
Adult Services	15	58	65.7	438%	113%
Children's Services	22	47	20.4	93%	43%
Education and Achievement	28	38	39.5	141%	104%
Place	129	301	285.6	221%	95%
Resources	318	532	473.3	149%	89%
Finance and Technology	202	320	275.2	136%	86%
Legal and Governance	49	63	58.0	118%	92%
Workforce and Improvement	67	149	140.1	209%	94%
<b>S151 Planned Audit</b>	<b>536</b>	<b>1,051</b>	<b>960.2</b>	<b>179%</b>	<b>91%</b>
Contingencies and other chargeable work	682	307	303.0	44%	99%
<b>Total S151 Audit</b>	<b>1,218</b>	<b>1,358</b>	<b>1,263.2</b>	<b>104%</b>	<b>93%</b>
External Clients	211	211	206.8	98%	98%
<b>Total</b>	<b>1,429</b>	<b>1,569</b>	<b>1,470.0</b>	<b>103%</b>	<b>94%</b>

**Table 2: Final audit report assurance opinions issued in 2022/23**

Summary

Audits 2022 / 23	Assurance	%	Direction of travel <sup>1</sup>	Audits 2021 / 22	%	Audits 2020 / 21	%
7	Good	16	↑	7	15	11	21
19	Reasonable	43	↓	23	49	19	36
26	Sub total	59	↓	30	64	30	57
13	Limited	30	↓	9	19	15	28

<sup>1</sup> Based on percentages

Audits 2022 / 23	Assurance	%	Direction of travel <sup>1</sup>
5	Unsatisfactory	11	↑
18	Sub total	41	↓
44	Overall total	100	

Audits 2021 / 22	%	Audits 2020 / 21	%
8	17	8	15
17	36	23	43
47	100	53	100

## Full Details

	Audit	Assurance
1.	Comforts Fund Reviews - Avalon	Good
2.	Supporting Families Grant - June Claim	Good
3.	Community Infrastructure Levy	Good
4.	Highways Permits	Good
5.	Local Enterprise Partnerships	Good
6.	ERP Development and Administration	Good
7.	Risk Management	Good
8.	Corporate Governance	Reasonable
9.	Contaminated Land	Reasonable
10.	Individual Service Funds (ISFs)	Reasonable (FR) <sup>2</sup>
11.	Nursery Grants 3 to 5 years	Reasonable
12.	Supporting Families Grant - September Claim	Reasonable
13.	Schools Themed Audits 2021/22	Reasonable
14.	Schools Themed Audits	Reasonable
15.	Contracts and Tendering - Property	Reasonable
16.	Economic Growth Projects	Reasonable
17.	Gladstone Application 2021/22	Reasonable
18.	Registrars Income Collection	Reasonable
19.	Theatre Severn	Reasonable
20.	Capital Management and Monitoring	Reasonable
21.	Encryption	Reasonable
22.	ResourceLink Database Administration	Reasonable
23.	Sales Ledger - Periodic Income 2021/22	Reasonable
24.	Sales Ledger 2021/22	Reasonable
25.	SNOW - IT Asset Management	Reasonable
26.	Home and flexible Working Arrangements	Reasonable
27.	Confirm Application	Limited
28.	WSP Contract Management 2021/22	Limited
29.	Backup Arrangements	Limited (FR)
30.	Database Administration	Limited
31.	Debt Recovery 2021/22	Limited
32.	Firewalls	Limited
33.	General Ledger 2021/22	Limited
34.	Microsoft Azure and Power Platform Follow Up	Limited (FR)
35.	Purchase Ledger 2021/22	Limited

<sup>2</sup> FR with fundamental recommendation

	<b>Audit</b>	<b>Assurance</b>
36.	Telecommunications, Contracts and Procurement Follow up 2021/22	Limited
37.	Third Party Contractor Access Controls 2021/22	Limited
38.	Information Security Management Follow up	Limited (FR)
39.	Management and Control of CCTV Operations	Limited
40.	Acton Scott Working Farm Museum	Unsatisfactory
41.	Much Wenlock Leisure Centre	Unsatisfactory
42.	Tree Safety 2022/23	Unsatisfactory (FR)
43.	IT Business Administration	Unsatisfactory (FR)
44.	Payroll 2021/22	Unsatisfactory (FR)

	<b>Other areas contributing to the opinion</b>	
1	Department for Education Children's Residential Care Grant	Grant
2	Contain Outbreak Management Fund Grant	Grant
3	Practical Support Payments Grant	Grant
4	Building Digital UK Grant	Grant
5	Housing Benefits Test and Trace Grant	Grant
6	Local Transport Bus Services Operating Grant	Grant
7	Adult Social Care Debt Write Off	Consultancy
8	Council Tax Energy Support Grant	Consultancy
9	Financial Evaluations	Consultancy
10	Head of IT Update Meetings	Consultancy
11	Information Systems, Information Governance and IT Meetings	Consultancy
12	Local Government Association Finance Peer Review	Consultancy
13	National Fraud Initiative	Consultancy
14	ResourceLink Advice	Consultancy
15	Schools Financial Value Standard	Consultancy
16	Schools Self Assessments	Consultancy
17	Transport Operational Project Board	Consultancy
18	Ukrainian Homes Grant Project Group	Consultancy
19	Uniform System Replacement Project (RSTSL)	Consultancy
20	Together for Children Partnership Meetings	Consultancy
21	ICT Business Continuity and Resilience Working Group	Consultancy
22	Payroll Data Analytics	Consultancy
23	Demand Responsive Transport	Consultancy

**Key**

<b>Text in blue</b>	High risk from an internal audit perspective.
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**Table 3: Audit Opinions made on fundamental systems**

Fundamental system	Direction of travel	Level of assurance given
<i>Budget Management and Control (Draft)</i>	=	Reasonable
Corporate Governance	=	Reasonable
<i>Debt Recovery (Draft)</i>	↑	Reasonable
General Ledger 2021/22	=	Limited
Housing Benefits	↓	Reasonable
Periodic Income 2021/22	↑	Reasonable
Risk Management	↑	Good
<i>Sales Ledger (Draft)</i>	=	Reasonable
Payroll 2021/22	=	Unsatisfactory Management Assurance

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

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

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

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



**Table 6: 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 Chief Audit Executive’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 <sup>3</sup>	Traditional Opinion
Substantial	Limited number of medium risk related weaknesses identified but generally only low risk rated weaknesses have been found in individual assignments/ observations. No one area is classified as high or/ critical risk	Unqualified
Reasonable	Medium risk rated weakness identified in individual assignments/ observations that are not significant in aggregate to the system of governance, risk management or control. High risk rated weaknesses identified in individual assignments/ observations that are isolated to specific systems, processes and services None of the individual assignment reports/ observations have an overall high or critical risk.	
Limited	Medium risk related weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected and/or	

<sup>3</sup> Indicators refer not only to Internal Audit review s, but wider assurance providers and intelligence from across the business that is evidenced, an example would be peer review s.

Opinion	Indication of when this type of opinion may be given <sup>3</sup>	Traditional Opinion
	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 Critical risk rated weaknesses identified in individual assignments/ observations that are not widespread to the system of internal control, and More than a minority of the individual assignment reports/ observations may have an overall report classification or rating of high or critical risk.	
No Assurance	High risk rated weaknesses identified in individual assignments/ observations that in aggregate are widespread to the system of internal control and/or Critical risk rated weaknesses identified in individual assignments/ observations that are widespread to the system of internal control or More than a minority of the individual assignment reports/ observations have an overall report classification of either high or critical risk Lack of management action to deliver improvements, may be identified by repeating recommendations of a high or critical risk.	Qualified
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

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

Item Being Scored	2020/2021	2021/22	2022/23	Direction of Travel
Pre-audit arrangements	88%	85%	93%	↑
Post-audit briefing	88%	86%	88%	↑
Audit coverage/scope of the audit	82%	89%	85%	↓
Timeliness of production of report	91%	90%	91%	↑
Accuracy and clarity of report	88%	88%	90%	↑
Practicality of recommendations	79%	84%	82%	↓

Item Being Scored	2020/2021	2021/22	2022/23	Direction of Travel
Professionalism of approach	93%	98%	98%	←→
Communication skills	93%	99%	98%	↓
Timeliness, competence, manner	85%	88%	91%	↑
Number of forms returned	47	34	34	←→
% of forms scored as excellent and good	92%	94%	97%	↑

**Table 9: Summary of compliments and comments 2022/23<sup>4</sup>**

- X has been very supportive and patient during this audit taking on board our feedback and concerns. As always one of the key elements for ‘us’ is the communication before, during and after the audit and this has been delivered very effectively and with consideration to the challenges that ‘we’ as a team and indeed across all of adult social care are managing. Overall, X’s approach has been very professional.
- Thank you to X and X for your work on this audit.
- Thank you for the draft debtors report and all your work on our audit.
- Thank you Audit. Your support/advice and patience are always immense.
- As ever it was difficult to agree a convenient time to undertake an internal audit. It was decided to proceed at a convenient time for some key Officers, but the worst time for others. On balance it seemed to work reasonably well, largely due to the patience, understanding and flexibility of the individual Auditor.
- Its always good to work with you.
- Your approach to audit working with clients is spot on, very professional and open approach.
- Thank you X and X for supporting us over the last few difficult weeks. We are very lucky to have such a wonderful working relationship with Audit.
- We felt that some of the recommendations were for reports that had never been previously requested by anyone, which meant being judged on recommendations we were unaware of was required. We felt Some of the Rec rating were on the higher side, but X listened to all our concerns and made it easier to review.
- I would suggest that future Audits of this area look at the wider holistic ‘Hybrid’ approach, including Home, Field and Office Based working and the equipment and premises we provide to support this model. Hybrid Strategy (due to be published in

<sup>4</sup> Depersonalised for public reporting

April 2023) and subsequent amends to Policy, should form a good basis for future holistic Hybrid Audits.

- As noted in the pre audit briefing an external consultant had been procured to carry out a comprehensive review of our process. It would have been useful to have been able to hold off this internal audit for 6 months so that we could use it to see how we were progressing with the action plan from this external audit. Hopefully it will be something that we will be able to pick up when we come to carry out next year's internal audit process
- Some of the recommendations are beyond the control of the team being audited and would require structural and budgetary alterations at a higher level to be able to implement them.

## AUDIT PLAN BY SERVICE – ANNUAL REPORT 2022/23

	Original Plan Days	August Revision	November Revision	January Revision	Revised Plan Days	31 March 2023 Actual	% of Original Complete	% of Revised Complete
<b>CHIEF EXECUTIVE</b>								
Governance	14	0	-4	0	10	9.6	69%	96%
Communications	0	0	0	8	8	8.2	0%	103%
<b>CHIEF EXECUTIVE</b>	<b>14</b>	<b>0</b>	<b>-4</b>	<b>8</b>	<b>18</b>	<b>17.8</b>	<b>127%</b>	<b>99%</b>
<b>RESOURCES</b>								
<b>Finance and Technology</b>								
Finance Transactions	30	54	4	10	98	78.7	262%	80%
Finance and S151 Officer	22	2	0	0	24	25.6	116%	107%
Financial Management	30	11	0	0	41	34.2	114%	83%
ICT	104	18	0	-2	120	99.8	96%	83%
Information Governance	8	0	0	0	8	0.0	0%	0%
Revenues and Benefits	8	20	1	0	29	36.9	461%	127%
	<b>202</b>	<b>105</b>	<b>5</b>	<b>8</b>	<b>320</b>	<b>275.2</b>	<b>136%</b>	<b>86%</b>
<b>Workforce and Improvement</b>								
Risk Management and Insurance	10	10	0	-4	16	14.6	146%	91%
Human Resources	57	18	30	20	125	117.5	206%	94%
Occupational Health & Safety	0	0	0	8	8	8.0	0%	100%
	<b>67</b>	<b>28</b>	<b>30</b>	<b>24</b>	<b>149</b>	<b>140.1</b>	<b>209%</b>	<b>94%</b>

	<b>Original Plan Days</b>	<b>August Revision</b>	<b>November Revision</b>	<b>January Revision</b>	<b>Revised Plan Days</b>	<b>31 March 2023 Actual</b>	<b>% of Original Complete</b>	<b>% of Revised Complete</b>
<b>Legal and Governance</b>								
Procurement	33	0	0	14	47	42.6	129%	91%
Information Governance	16	0	0	0	16	15.4	96%	96%
	<b>49</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>63</b>	<b>58.0</b>	<b>118%</b>	<b>92%</b>
<b>RESOURCES</b>	<b>318</b>	<b>133</b>	<b>35</b>	<b>46</b>	<b>532</b>	<b>473.3</b>	<b>149%</b>	<b>89%</b>
<b>PEOPLE</b>								
<b>Joint Commissioning</b>								
Community and Partnerships	15	0	0	3	18	26.5	177%	147%
Business Support	0	20	0	0	20	19.2	0%	96%
	<b>15</b>	<b>20</b>	<b>0</b>	<b>3</b>	<b>38</b>	<b>45.7</b>	<b>305%</b>	<b>120%</b>
<b>Adult Social Care</b>								
Long Term Support	0	20	0	0	20	20.0	0%	100%
	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>20.0</b>	<b>0%</b>	<b>100%</b>
<b>Education and Achievement</b>								
Education and Achievement	8	0	0	0	8	5.8	73%	73%
Primary/Special Schools	20	0	0	0	20	21.6	108%	108%
Business Support	0	5	5	0	10	12.1	0%	121%
	<b>28</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>38</b>	<b>39.5</b>	<b>141%</b>	<b>104%</b>

	<b>Original Plan Days</b>	<b>August Revision</b>	<b>November Revision</b>	<b>January Revision</b>	<b>Revised Plan Days</b>	<b>31 March 2023 Actual</b>	<b>% of Original Complete</b>	<b>% of Revised Complete</b>
<b>Children's Social Care and Safeguarding</b>								
Safeguarding	14	0	0	0	14	20.1	144%	144%
Children's Placement Services & Joint Adoption	8	25	0	0	33	0.3	4%	1%
	<b>22</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>20.4</b>	<b>93%</b>	<b>43%</b>
<b>PEOPLE</b>	<b>65</b>	<b>70</b>	<b>5</b>	<b>3</b>	<b>143</b>	<b>125.6</b>	<b>193%</b>	<b>88%</b>
<b>PLACE</b>								
<b>Business Enterprise and Commercial Services</b>								
Property and Development	0	31	0	0	31	31.2	0%	101%
Development Management	0	15	0	0	15	15.0	0%	100%
	<b>0</b>	<b>46</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>46.2</b>	<b>0%</b>	<b>100%</b>
<b>Economy and Place</b>								
Business Growth and Investment	10	15	0	0	25	25.0	250%	100%
Environment and Sustainability	5	0	0	0	5	7.3	146%	146%
Planning and Corporate Policy	0	10	0	0	10	10.0	0%	100%
	<b>15</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>42.3</b>	<b>282%</b>	<b>106%</b>
<b>Infrastructure and Communities</b>								
Highways	26	35	1	1	63	49.7	191%	79%
Public Transport	0	15	10	0	25	25.6	0%	102%
Library Services	15	0	0	0	15	0.0	0%	0%
	<b>41</b>	<b>50</b>	<b>11</b>	<b>1</b>	<b>103</b>	<b>75.3</b>	<b>184%</b>	<b>73%</b>



	<b>Original Plan Days</b>	<b>August Revision</b>	<b>November Revision</b>	<b>January Revision</b>	<b>Revised Plan Days</b>	<b>31 March 2023 Actual</b>	<b>% of Original Complete</b>	<b>% of Revised Complete</b>
<b>Culture and Heritage</b>								
Theatre Severn and OMH	15	0	0	0	15	17.6	117%	117%
Leisure Services	33	3	0	-15	21	16.0	48%	76%
Outdoor Recreation	10	0	0	0	10	10.8	108%	108%
	<b>58</b>	<b>3</b>	<b>0</b>	<b>-15</b>	<b>46</b>	<b>44.4</b>	<b>77%</b>	<b>97%</b>
<b>Homes and Communities</b>								
Superintendent Registrar	15	0	0	0	15	14.3	95%	95%
Business and Consumer Protection	0	30	6	0	36	47.2	0%	131%
Community Protection	0	0	0	15	15	15.9	0%	106%
	<b>15</b>	<b>30</b>	<b>6</b>	<b>15</b>	<b>66</b>	<b>77.4</b>	<b>516%</b>	<b>117%</b>
<b>PLACE</b>	<b>129</b>	<b>154</b>	<b>17</b>	<b>1</b>	<b>301</b>	<b>285.6</b>	<b>221%</b>	<b>95%</b>
<b>HEALTH AND WELLBEING</b>								
<b>Public Health</b>								
Public Health	10	10	2	0	22	11.0	110%	50%
Ecology and Pest Control	0	10	5	-10	5	16.8	0%	336%
Community Safety	0	15	0	0	15	15.0	0%	100%
Environmental Protection	0	15	0	0	15	15.1	0%	101%
	<b>10</b>	<b>50</b>	<b>7</b>	<b>-10</b>	<b>57</b>	<b>57.9</b>	<b>579%</b>	<b>102%</b>
<b>HEALTH AND WELLBEING</b>	<b>10</b>	<b>50</b>	<b>7</b>	<b>-10</b>	<b>57</b>	<b>57.9</b>	<b>579%</b>	<b>102%</b>

	<b>Original Plan Days</b>	<b>August Revision</b>	<b>November Revision</b>	<b>January Revision</b>	<b>Revised Plan Days</b>	<b>31 March 2023 Actual</b>	<b>% of Original Complete</b>	<b>% of Revised Complete</b>
<b>Total Shropshire Council Planned Work</b>	<b>536</b>	<b>407</b>	<b>60</b>	<b>48</b>	<b>1,051</b>	<b>960.2</b>	<b>179%</b>	<b>91%</b>
<b>CONTINGENCIES</b>								
Advisory Contingency	50	0	0	0	50	42.9	86%	86%
Fraud Contingency	50	0	0	0	50	62.0	124%	124%
Unplanned Audit Contingency	383	-269	-56	-48	10	0.0	0%	0%
Other non-audit Chargeable Work	199	0	-2	0	197	198.1	100%	101%
<b>CONTINGENCIES</b>	<b>682</b>	<b>-269</b>	<b>-58</b>	<b>-48</b>	<b>307</b>	<b>303.0</b>	<b>44%</b>	<b>99%</b>
<b>Total for Shropshire</b>	<b>1,218</b>	<b>138</b>	<b>2</b>	<b>0</b>	<b>1,358</b>	<b>1263.2</b>	<b>104%</b>	<b>93%</b>
<b>EXTERNAL CLIENTS</b>	<b>211</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>211</b>	<b>206.8</b>	<b>98%</b>	<b>98%</b>
<b>Total Chargeable</b>	<b>1,429</b>	<b>138</b>	<b>2</b>	<b>0</b>	<b>1,569</b>	<b>1470.0</b>	<b>103%</b>	<b>94%</b>